Company Registration No. 02042968 (England and Wales)

CAPITA MORTGAGE ADMINISTRATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

CAPITA MORTGAGE ADMINISTRATION LIMITED

COMPANY INFORMATION

Directors	M D Rich	(Reappointed 17th November 2017)
	J D Vincent	(Appointed 27th July 2017)
	D C Trendle	(Appointed 26th January 2018)
Secretary	Capita Group Secretary Limited	
Company number	02042968	
Registered office	17 Rochester Row London SW1P 1QT	
Auditor	KPMG LLP 15 Canada Square London E14 5GL	

CAPITA MORTGAGE ADMINISTRATION LIMITED

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CAPITA MORTGAGE ADMINISTRATION LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report and financial statements for the year ended 31 December 2017.

Review of the business
The company is a wholly owned subsidiary (indirectly held) of Capita plc and operates within the group's Private Sector Partnerships division.

The principal activity of the company is the provision of third party mortgage administration and outsourcing services to clients within the regulated financial services sector. There have not been any significant changes in the company's principal activities in the period under review. The directors are not aware, at the date of this report of any likely changes in the company's activities in the next year.

As shown in the company's income statement on page 6, revenue has decreased from £15,958,000 to £11,572,000 with a resultant decrease in operating profit from £2,706,000 to £967,000 as compared to 2016 primarily due to the renegotiation of the cost-plus contract which resulted in agreed cost savings through efficiencies and a lower margin including reduction in rent/rates due to co-locating on client's site. The balance sheet on page 7 of the financial statements shows the company's financial position at the year end. Net assets have increased from £15,120,000 to £16,702,00 due to increase in cash balance offset by the reduction in trade receivables and impairment of investments. Details of amounts owed by/ to its parent company and fellow subsidiary undertakings as shown in notes 11 and 13 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 Private Sector Partnerships 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 and regulate its business, and decisions by regulators can affect the Company's business and operations and these effects are often adverse.

To mitigate the effect of these risks and uncertainties, the company adopts a number of systems and procedures, including:
- Regularly reviewing trading conditions to be able to respond quickly to changes in market conditions.
- Applying procedures and controls to manage compliance, financial and operational risks, including adhering to a strict internal control framework.

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

On behalf of the board

D C Trendle
Director
25 April 2018

CAPITA MORTGAGE ADMINISTRATION LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and financial statements for the year ended 31 December 2017.

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

A dividend of £125,000 was paid during the year (2016: nil).

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

P W Carson	(Resigned 31st July 2017)
D C Trendle	(Appointed 26th January 2018)
W M R Davies	(Resigned 12th October 2017)
M D Rich	(Reappointed 17th November 2017)
N N Bedford	(Appointed 27th July 2017 and Resigned 22nd February 2018)
J D Vincent	(Appointed 27th July 2017)

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

Employees
Details of the number of employees and related costs can be found in note 18 to the financial statements.

Disabled persons
It is the company's policy to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the company who become disabled to continue in their employment or to be retained for other position in the company or the group.

Employee involvement
The company participates in the group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings, newsletters, email notices and intranet communications. These communication initiatives enable employees to share information within and between business units and employees are encouraged, through an open-door policy, to discuss with management matters of interest to the employee and subjects affecting day to day operations of the company. The group's share incentive plan is designed to promote employee share ownership and to give employees the opportunity to participate in the future success of the group.

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

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

D C Trendle
Director
25 April 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITA MORTGAGE ADMINISTRATION LIMITED

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

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITA MORTGAGE ADMINISTRATION LIMITED

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

Simon Weaver

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

25 April 2018

CAPITA MORTGAGE ADMINISTRATION LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £ '000	2016 £ '000
Revenue	3	11,572	15,958
Cost of sales		(10,471)	(11,940)
Gross profit		**1,101**	**4,018**
Administrative expenses		(134)	(1,312)
Operating profit	4	**967**	**2,706**
Other (expense) / income	5	(13,924)	3,255
(Loss) / profit before tax		**(12,957)**	**5,961**
Income tax expense	6	(228)	-
Total comprehensive (expense) / income for the year		**(13,185)**	**5,961**

The income statement has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the income statement.

The notes on pages 9 to 22 form an integral part of the financial statements.

CAPITA MORTGAGE ADMINISTRATION LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2017

	Notes	2017 £ '000	2,016 £ '000
Non-current assets			
Property, plant and equipment	8	6	144
Intangible assets	9	584	712
Investment in subsidiaries	10	-	1,358
		590	**2,214**
Current assets			
Trade and other receivables	11	2,020	10,582
Cash	12	17,733	4,648
		19,753	**15,230**
Total assets		**20,343**	**17,444**
Current liabilities			
Trade and other payables	13	3,305	2,080
Provisions	14	108	244
Income tax payable		228	-
		3,641	**2,324**
Total liabilities		**3,641**	**2,324**
Net assets		**16,702**	**15,120**
Capital and reserves			
Issued share capital	15	8,101	8,101
Share premium		14,892	-
Retained earnings		(6,291)	7,019
Total equity		**16,702**	**15,120**

Approved by the board and authorised for issue on 25 April 2018.

The notes on pages 9 to 22 form an integral part of the financial statements.

D C Trendle
Director
Company Registration No. 02042968

CAPITA MORTGAGE ADMINISTRATION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Share premium	Retained earnings	Total equity
	£ '000	**£ '000**	**£ '000**	**£ '000**
At 1 January 2016	8,101	-	1,058	9,159
Total comprehensive income / (expense) for the year	-	-	5,961	5,961
As at 31 December 2016	**8,101**	**-**	**7,019**	**15,120**
At 1 January 2017	8,101	-	7,019	15,120
Total comprehensive (expense) / income for the year	-	-	(13,185)	(13,185)
Shares issued	0*	14,892	-	14,892
Equity dividends paid	-	-	(125)	(125)
As at 31 December 2017	**8,101**	**14,892**	**(6,291)**	**16,702**

* this represents 1 share with a nominal value of £1

Share capital – The balance classified as share capital is the nominal proceeds on issue of the company's equity share capital, comprising 8,101,001 ordinary shares.
Share premium – The amount paid to the company by shareholders, in cash or other consideration, over and above the nominal value of shares issued to them. During the year, one ordinary share was issued at a premium of £14,892,200.
Retained earnings – The balance pertains to net losses accumulated in the company.

1. Accounting policies

1.1 Basis of preparation

Capita Mortgage Administration Limited is a company incorporated and domiciled in the UK.

The company is a wholly owned subsidiary of Capita plc and operates within the group's Private Sector Partnerships division.

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

The company has sufficient financial resources together with long standing relationships with clients and suppliers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. After making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the 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 FRS101 – Reduced Disclosure Framework in the preparation of its financial statements and these are contained on pages 6 to 22.

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.

From the year ended 31 December, 2017, the company has elected to present its financial statements under IAS 1 format to be in line with the consolidated financial statements published by the group. Accordingly, the comparatives for the year ended 31 December, 2016 have been reclassified to the revised format. Refer to Note 22 for a reconciliation between IAS 1 presentation and presentation as previously reported.

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, property, plant and equipment 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;
- Disclosures in respect of the compensation of key management personnel.

1. Accounting policies (continued)

1.2 Compliance with accounting standards (continued)

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

1.3 Revenue recognition

Revenue is earned within the United Kingdom.

Turnover is stated net of VAT and is recognised in line with the activity and performance, normally using amounts specified in contractual obligations and when collectability is reasonably assured. In general:

-variable revenues, for example, revenues dependent upon customer volumes in the year, are recognised only when those variable activities are performed;
-performance incentives are recognised in revenue only to the extent that incentives are reasonably considered to have been earned;
-revenue received in advance of performance is deferred and recognised when performance occurs; and
-set up fees received from clients as contributions to costs are credited to deferred income when received and recognised as revenue:
(i) as costs are incurred for fees identified as being against transition costs; or
(ii) over the expected life of fixed assets if the fees are received as a contribution to assets; or
(iii) over the period of the contract in line with activity or performance levels for fees not contractually identified against delivered services.

1.4 Intangibles

Intangibles are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life, which is typically 5 years. In the case of capitalised software development costs, research expenditure is written off to the statement of profit and loss in the period in which it is incurred. Development expenditure is written off in the same way unless and until the company is satisfied as to the technical, commercial and financial viability of individual projects. In these cases, the development expenditure is capitalised and amortised over the period during which the company is expected to benefit.

1. Accounting policies (continued)

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. 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:

Computers: 3 – 5 years

1.6 Leasing

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

1.7 Investments

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

1.8 Cash and cash equivalents

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

1.9 Pensions

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

1.10 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.

1. Accounting policies (continued)

1.10 Taxation (continued)

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

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

- except where the deferred tax liability arises from the initial recognition of goodwill;

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

1.11 Share-based payments

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

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

1. Accounting policies (continued)

1.11 Share-based payments (continued)

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 inter-company account for charges that are made to it. Hence the credit to equity has been eliminated, rather reflecting a credit to inter-company which better describes the underlying nature of the transaction.

1.12 Group accounts

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

1.13 Financial instruments

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

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

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

1.14 Impairment of non-financial assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the company makes a formal estimate of the asset's recoverable amount.

1. Accounting policies (continued)

1.14 Impairment of non-financial assets (continued)

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.15 Provisions

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

1.16 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to 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 is the measurement of provisions on certain contractual arrangements and measurement of impairment of investments. The measurement of provisions reflects management's assessment of the probable outflow of economic benefits resulting from the existing obligation. Provisions are calculated on a case to case basis and involve judgement as regards the final timing and outcome of any financial outlay. The company determines whether investments are impaired based on any impairment indicators. This involves estimation ofthe enterprise value of the investee which is determined based on the greater of discounted future cash flows at a suitable discount rate or through the recoverable value of investments held by the investee company.

3 Revenue

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

4 Operating profit

	2017 £ '000	2016 £ '000
Operating profit for the year is stated after charging/(crediting):		
Net foreign exchange gain	-	(26)
Depreciation of property, plant and equipment	141	233
Amortisation of intangible assets	128	128
Operating lease rentals-plant and machinery	2	3
Operating lease rentals-other assets	-	232

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £2,100 (2016: £2,000). The company has taken advantage of the exemption provided by regulations 6(2)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 not to provide information in respect of fees for other (non-audit) services as this information is required to be given in the company accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

5 Other (expense) / income

	2017 £ '000	2016 £ '000
Profit on sale of investments (Refer note 'a' below)	-	3,255
Dividend from investments in shares of company undertakings	2,201	-
Impairment of investments (Refer note 'b' below)	(1,233)	-
Provision for doubtful debt (Refer note 'c' below)	(14,892)	-
	(13,924)	**3,255**

a) On 13 December 2016, the company disposed off shares held in Marlborough Stirling Canada Limited for a profit on sale of £ 3,255,000.

b) Refer note 10 for impairment of investments.

c) A debt receivable from a subsidiary is assessed as doubtful due to the subsidiary being in a net liability and loss making position. Therefore to take into account the risk of irrecoverability, the debt has been fully provided for.

6 Income tax

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

	2017 £ '000	2016 £ '000
Current income tax		
Current income tax charge	228	-
Adjustment in respect of prior years	-	-
	228	-
Deferred income tax		
Origination and reversal of temporary differences	-	-
	-	-
Total tax expense	**228**	-

The reconciliation between tax expense/ (credit) and the product of accounting profit multiplied by the UK corporation tax rate for the years as follows:

	2017 £ '000	2016 £ '000
(Loss) / profit before tax	**(12,957)**	**5,961**
Notional charge/ (credit) at UK corporation tax rate of 19.25% (2016: 20%)	**(2,494)**	**1,192**
Income not taxable	(424)	(651)
Current year deferred tax income not recognised	33	(487)
Non-deductible expenses	3,108	-
Effect of change in UK corporation tax rate	4	(54)
Total adjustment	**2,722**	**(1,192)**
Total tax expense / (credit) reported in the income statement at the effective tax rate of 11.78% (2016: 0%)	**228**	-

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

b) A deferred tax asset of £3.25m has been unrecognised in the statutory accounts for 2017 due to the uncertainty of future use.

7 Dividends paid

	2017 £ '000	2016 £ '000
Interim for 2017 paid: £0.02 per share (2016: £Nil per share)	125	-
Total dividends paid	**125**	-

The Investment in shares of Jessop Fund Managers Limited was transferred to Capita International Financial Services Holdings Limited by way of a declaration of dividend of £125,000.

8 Property, plant and equipment

	Computer equipment
Cost	**£ '000**
At 1 January 2017	**409**
Additions	4
At 31 December 2017	**412**
Depreciation and impairment	
At 1 January 2017	**265**
Depreciation	141
At 31 December 2017	**406**
Net book value	
At 31 December 2016	144
At 31 December 2017	6

9 Intangible assets

	Development costs £ '000
Cost	
At 1 January 2017	**893**
At 31 December 2017	**893**
Amortisation and impairment	
At 1 January 2017	**181**
Amortisation	128
At 31 December 2017	**309**
Net book value	
At 31 December 2016	712
At 31 December 2017	584

10 Investment in subsidiaries

Non-current investments	**£ '000**
As at 1 January 2017	1,358
Transfer as dividend in specie	(125)
Impairment during the year	(1,233)
As at 31 December 2017	**0***

* represents investment with carrying amount of £1

The investment in shares of Jessop Fund Managers Limited was transferred to Capita International Financial Services Holdings Limited by way of declaration of dividend of GBP 125,000. The balance amount of the investment amounting to GBP 1,233,061 was recorded as an impairment during the year.

Details of the company's direct subsidiaries at 31 December 2017 are as follows:

Company	**Registered Address**	**Country of registration**	**Ordinary shares held (%)**	**Nature of business**
Capita Mortgage Software Solutions Limited	17 Rochester Row, London, SW1P 1QT	England	100%	Outsourcing services

11 Trade and other receivables

	2017	**2016**
Current	**£ '000**	**£ '000**
Trade receivables	757	27
Other receivables	236	249
Prepayments	1,014	2
Amount due from parent and fellow subsidiary undertaking	14,905	10,261
Less: Provision for doubtful debts	(14,892)	-
Other taxes and social security	-	43
	2,020	**10,582**

12 Cash

	2017	**2016**
	£ '000	**£ '000**
Cash at bank and in hand	17,733	4,647
	17,733	**4,647**

13 Trade and other payables

	2017	**2016**
Current	**£ '000**	**£ '000**
Trade payables	33	-
Other taxes and social security	171	-
Accruals and deferred income	1,320	670
Amount due to parent and fellow subsidiary undertaking	1,781	1,410
	3,305	**2,079**

14 Provisions

	Business exit and Restructuring £ '000
As at 1 January 2017	**244**
Additions	124
Utilisation	(186)
Release	(74)
As at 31 December 2017	**108**

The provision relates to the cost of exiting businesses through disposal or closure. Additional provision was made in light of the programme of business exits in active sales process and the related restructuring.

15 Issued share capital

	2017 Numbers in '000	2016 Numbers in '000	2017 £ '000	2016 £ '000
Allotted, called up and fully paid				
Ordinary shares of £1 each				
At 1 January	8,101	8,101	8,101	8,101
Issued during the year	0*	-	0*	-
At 31 December	**8,101**	**8,101**	**8,101**	**8,101**

* this represents 1 share with a nominal value of £1

Share capital

The nominal proceeds on issue of the company's equity share capital, comprising £1 ordinary shares.

16 Operating lease commitments

At the reporting date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows :

	Land and buildings 2017 £'000	2016 £'000
Within one year	795	795
Between two and five years	1,613	2,408
Total	**2,408**	**3,203**

17 Employee benefits

The pension charge for the defined contribution pension schemes for the year is £215,000 (2016: £213,000).

18 Employees

The average monthly number of employees were:

	2017 Number	2016 Number
Operations	159	160
Sales and administration	4	14
	163	**174**

Their aggregate remuneration comprised:

Employment costs	**2017 £'000**	**2016 £'000**
Wages and salaries	4,262	4,671
Social security costs	414	449
Pension costs	215	213
Share based payments	-	(6)
	4,891	**5,327**

19 Directors' remuneration

The directors were paid by another subsidiary of Capita plc. As no qualifying services were provided by the directors on the company's affairs, no directors' remuneration has been allocated to the company.

20 Controlling party

The Company is a wholly owned subsidiary undertaking of Capita plc, a company incorporated in England and Wales. The financial statements of Capita plc are available from the registered office at 71 Victoria Street, London, SW1H 0XA.

The immediate controlling party is Capita Financial Services Holdings Limited, a company incorporated in England and Wales.

21 Post balance sheet events

There are no significant events which have occurred after the reporting period.

22 Reconciliation of 2016

Income statement restatement for the year ended 31 December 2016

FRS Format	**Footnotes**	**2016 £'000**	**Reclass from FRS to IAS**	**IAS Format**	**Footnotes**	**2016 £'000**
Turnover		15,958		Revenue		15,958
Cost of sales		(11,940)		Cost of sales		(11,940)
Gross profit		**4,018**		**Gross profit**		**4,018**
Administrative expenses		(1,338)	(26)	Administrative expenses	A	(1,312)
Other operating income	A	26	26			
Exceptional items	B	3,255	(3,255)			
Operating profit		**5,961**		**Operating profit**		**2,706**
			3,255	Other income	B	3,255
Profit before taxation		**5,961**		**Profit before tax**		**5,961**
Tax on (loss)/profit		-		Income tax expense		-
Profit and comprehensive loss/income for the financial year		5,961	-	**Total comprehensive income for the year**		5,961

Note A: Other operating expenses have been reclassified to administrative expenses.
Note B: Exceptional item pertaining to profit on sale of investment has been reclassified as other income.

CAPITA MORTGAGE ADMINISTRATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

22 Reconciliation of 2016

Balance sheet restatement as at 31 December 2016

FRS Format	Footnotes	2016 £'000	Reclass from FRS to IAS	IAS Format	Footnotes	2016 £'000
Fixed assets				**Non-current assets**		
Tangible fixed assets		144		Property, plant and equipment		144
Intangible fixed assets		712		Intangible assets		712
Investments	A	1,358	1,358			
			(1,358)	Investment in subsidiaries	A	1,358
Total Non-current assets		2,214		**Total Non-current assets**		2,214
Current assets				**Current assets**		
Debtors		10,582	-	Trade and other receivables		10,582
Cash at bank and in hand		4,647		Cash		4,647
Total current assets		15,229		**Total current assets**		15,229
				Total assets		17,444
				Current liabilities		
Creditors: amounts falling due within one year		(2,079)		Trade and other payables		2,079
			(244)	Provisions	B	244
Net current assets		13,150		**Total current liabilities**		2,324
Total assets less current liabilities		15,364		**Total liabilities**		2,324
Provision for liabilities	B	(244)	244			
Net assets		15,120		**Net assets**		15,120
Capital and reserves				**Capital and reserves**		
Called up share capital		8,101		Issued share capital		8,101
Profit and loss account		7,019		Retained earnings		7,019
Shareholders' funds		15,120	-	**Total equity**		15,120

Note A: Investments shown separately in 2016 is now reclassified to Investment in subsidiaries.
Note B: Provisions for liabilities are reclassified to current liabilities.