

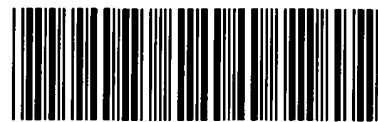
esure Services Limited

Report and Financial Statements

For the year ended 31 December 2016

Company Registration Number 02135610

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esure Services Limited

Corporate Information

Directors

P J Wood
S R Vann
D Ogden
D F Pitt

Secretary

A Rivers (appointed 1 December 2016)

Auditors

KPMG LLP
Chartered accountants & statutory Auditor
15 Canada Square
London
E14 5GL

Registered office

The Observatory
Reigate
Surrey
RH2 0SG

esure Services Limited

Strategic Report

Review of the business

The Company is principally engaged as an intermediary and management service provider for other members of the esure group of companies (the "Group"), which were established to write general insurance for private cars and homes. The Company is an authorised United Kingdom insurance intermediary, regulated by the Financial Conduct Authority. In addition, the Company holds the Group's investments in esure broker Limited and IMe Law Limited, the Group's alternative business structure operated by the Group's partner, Irwin Mitchell. Prior to 3rd November 2016 the company also held the Group's investment in Gocompare.com group. This was demerged from esure Group on this date.

The Directors of the Company are of the opinion that the disclosure of key performance indicators (KPIs) within this report would not add any meaningful information as the Company's activities are driven by the underlying business and business needs of the Group. Relevant KPIs are disclosed within the operating and financial reviews provided in the esure Group plc annual report.

Principal risks and uncertainties

The Company employs all of the personnel involved in the activities of the Group, providing the full range of services to all the companies in the Group. The principal risks facing the Company are therefore operational in nature. Those considered inherently material and therefore engaging most management attention include staff recruitment, fraud and unforeseen consequences of material change programmes. In addition, there are a number of ongoing and future reviews from the Financial Conduct Authority regarding the general insurance retail sector. These reviews could have an impact on the Group, and therefore may have an impact on the Company.

The principal risks facing Gocompare are disclosed in their own financial statements. As noted above Gocompare was demerged from esure Group on 3rd November 2016.

Results

The profit for the year, after taxation, amounted to £88.0m (2015: loss after taxation of £22.9m).

By order of the Board



A Rivers (appointed 1 December 2016)
Company Secretary
9 March 2017

esure Services Limited

Registered number 02135610

Directors' Report

The Directors present their report and the financial statements for the year ended 31 December 2016.

Principal activity

The nature of the Company's operations is an intermediary and management service provider for other members of the esure group of companies.

Results and dividends

The profit for the year, after taxation, amounted to £88.0m (2015: loss after taxation of £22.9m).

Dividends were paid during the year of £75.0m (2015: £28.9m). The directors do not recommend the payout of a final dividend (2015: £nil).

Directors

The Directors who served during the year were:

P J Wood
S R Vann
D Ogden
D F Pitt

Certain Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Employees

The Company is committed to ensuring that employees will not receive less favourable treatment on the basis of their actual or perceived age, disability, physical characteristics, race, gender, religion or belief or sexual orientation.

The Company seeks to achieve a common awareness amongst staff of corporate objectives, performance and other matters of concern to them as employees. The Company has staff incentive arrangements in place and will consult with employees on a regular basis on matters which may affect their interests.

Change of auditor

Pursuant to a shareholder resolution, the Company is not obliged to reappoint its auditor annually. KPMG LLP has indicated its willingness to continue in office and therefore the Company has agreed that KPMG LLP will remain in office.

Statement of disclosure of information to auditor

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

By order of the Board



A Rivers
Company Secretary
9 March 2017

The Observatory
Reigate
Surrey
RH2 0SG

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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 judgments 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of esure Services Limited

We have audited the financial statements of esure Services Limited for the year ended 31 December 2016 set out on pages 6 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; 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

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

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



Philip Smart
for and on behalf of KPMG LLP, Statutory Auditor
Chartered accountants
15 Canada Square
London E14 5GL

9 March 2017

esure Services Limited

Statement of Comprehensive Income For the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Turnover	4	159.7	135.3
Administrative expenses		(160.3)	(133.1)
Other operating income	5	0.2	0.2
Operating (loss) / profit		(0.4)	2.4
Income from investments in group undertakings		85.8	39.7
Impairment of investments in group undertakings	15	-	(7.5)
Income from other investments		3.1	2.5
Intercompany loan waiver	16	-	(62.9)
Interest receivable	10	-	4.1
Interest payable	11	(0.1)	(0.1)
Profit / (loss) on ordinary activities before tax		88.4	(21.8)
Tax charge on profit / (loss) on ordinary activities	12	(0.4)	(1.1)
Profit / (loss) on ordinary activities after tax		88.0	(22.9)
Other comprehensive income	25	0.2	1.0
Total comprehensive income / (expense)		88.2	(21.9)

All amounts relate to continuing operations.

The notes on pages 9 to 22 form part of these financial statements.

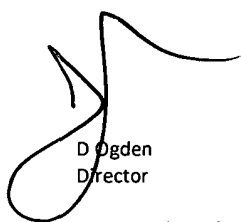
esure Services Limited

Statement of Financial Position As at 31 December 2016

	Notes	2016 £m	2016 £m	2015 £m	2015 £m
Fixed assets					
Intangible assets	13		8.1		5.0
Tangible assets	14		19.6		20.7
Investments	15		3.2		101.2
			<u>30.9</u>		<u>126.9</u>
Current assets					
Debtors	16	21.2		18.2	
Cash at bank		<u>14.3</u>		<u>1.1</u>	
		35.5		19.3	
Creditors: amounts falling due within one year	17	<u>(52.9)</u>		<u>(49.8)</u>	
Net current liabilities			<u>(17.4)</u>		<u>(30.5)</u>
Total assets less current liabilities			<u>13.5</u>		<u>96.4</u>
Creditors: amounts falling due after more than one year	18		(1.5)		(1.5)
Provisions for liabilities and charges					
Deferred tax	19		<u>(0.5)</u>		<u>-</u>
Net assets			<u>11.5</u>		<u>94.9</u>
Capital and reserves					
Called up share capital	20		0.5		0.5
Share premium account			0.0		0.0
Profit and loss account			(83.5)		2.4
Available-for-sale and other reserves			<u>94.5</u>		<u>92.0</u>
Shareholder's funds - all equity			<u>11.5</u>		<u>94.9</u>

The notes on pages 9 to 22 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 9 March 2017 and signed on its behalf.



D Ogden
Director

Registered number: 02135610

esure Services Limited

Statement of changes in equity

	Share capital	Share premium account	Profit and loss account	Available for sale reserve	Other reserves	Total equity
	£m	£m	£m	£m	£m	£m
Year ended 31 December 2015						
At 1 January 2015	0.5	0.0	58.0	0.0	3.7	62.2
Loss for the year	-	-	(22.9)	1.0	-	(21.9)
Total comprehensive charge for the year	-	-	(22.9)	1.0	-	(21.9)
Transactions with owners:						
Capital contribution : cash	-	-	-	-	85.0	85.0
Capital contribution : share-based payments	-	-	-	-	2.3	2.3
Deferred tax on share based payments	-	-	-	-	0.0	0.0
Dividends	-	-	(32.7)	-	-	(32.7)
Total transactions with owners:	-	-	(32.7)	-	87.3	54.6
At 31 December 2015	0.5	0.0	2.4	1.0	91.0	94.9
Year ended 31 December 2016						
At 1 January 2016	0.5	0.0	2.4	1.0	91.0	94.9
Profit for the year	-	-	88.0	0.2	-	88.2
Total comprehensive income for the year	-	-	88.0	0.2	-	88.2
Transactions with owners:						
Capital contribution : share-based payments	-	-	-	-	2.4	2.4
Deferred tax on share based payments	-	-	-	-	(0.1)	(0.1)
Demerger of Gocompare (Note 15)	-	-	(98.9)	-	-	(98.9)
Dividends (Note 26)	-	-	(75.0)	-	-	(75.0)
Total transactions with owners:	-	-	(173.9)	-	2.3	(171.6)
At 31 December 2016	0.5	0.0	(83.5)	1.2	93.3	11.5

Other reserves relate to capital contributions received from the Company's immediate and ultimate parents, esure Services Limited and esure Group plc respectively. These reserves are realised profits and are therefore available for distribution under the requirements of the Companies Act 2006.

As at 31 December 2016 the Company's distributable reserves were £9.8m (2015: £93.4m).

During the year ended 31 December 2016, £2.3m of capital contributions net of deferred tax were received from the parent of esure Services Limited, esure Group plc. £2.4m of the capital contribution related to share-based payment awards made to employees of esure Services Limited in the shares of esure Group plc.

During the year ended 31 December 2015, £87.3m of capital contributions were received from the parent of esure Services Limited, esure Group plc. £2.3m of the capital contribution related to share-based payment awards made to employees of esure Services Limited in the shares of esure Group plc. £85.0m was a cash contribution.

Dividends per Ordinary Share of £150.00 were declared and paid in 2016 (2015 (interim dividend): £65.40).

The notes on pages 9 to 22 form part of these financial statements.

esure Services Limited

Notes to the financial statements

For the year ended 31 December 2016

1 . General information

esure Services Limited is a company incorporated in England and Wales. Its registered office is The Observatory, Reigate, Surrey, RH2 0SG.

The nature of the Company's operations is an intermediary and management service provider for other members of the esure group of companies.

All of the Company's subsidiaries are located in the United Kingdom.

2 . Accounting policies

Basis of preparation

These financial statements present the esure Services Limited Company financial statements for the year ended 31 December 2016, comprising the statement of comprehensive income, statement of financial position, statement of changes in equity and related notes, as well as comparatives for the year ended 31 December 2015.

At a General Meeting on 1 November 2016, the Company's shareholders approved the demerger of Gocompare.com plc and on 3 November 2016 the demerger was completed.

The financial statements have been prepared in accordance with the provisions of Section 396 of the Companies Act 2006 (the 'Act') and Schedule 1 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (the 'Regulations').

Under the provisions of Section 400 of the Act, consolidated financial statements have not been prepared. Consolidated financial statements incorporating the results of the Company and its subsidiary undertakings are prepared by the Company's ultimate parent undertaking, esure Group plc. The consolidated financial statements of esure Group plc can be obtained from the address given in note 27.

These financial statements were prepared in accordance with the FRS 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('IFRSs'), but makes amendments where necessary in order to comply with the Act and the Regulations and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

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

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of capital management;
- Disclosure in respect of transactions with other wholly owned subsidiaries of esure Group plc;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of key management personnel required by IAS 24.

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

- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- The disclosures required by IFRS 7 Financial Instrument Disclosures.

The financial statements have been prepared on a going concern basis. In considering the appropriateness of this assumption, the board has reviewed the Company's projections for the next twelve months and beyond, including cash flow forecasts. Based on the results of these projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months.

The financial statements have been presented in sterling and rounded to the nearest hundred thousand. Throughout these financial statements any amounts which are less than £0.05m are shown by 0.0m, whereas a dash (-) represents that no balance exists.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

At the date of approval of these financial statements there were no standards, amendments or interpretations in issue and endorsed by the EU which the Company had not adopted.

Notes to the financial statements
For the year ended 31 December 2016

2 . Accounting policies (continued)

Turnover

Turnover comprises amounts received or receivable for services provided to other members of the esure Group (the Group) and is recognised when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Turnover also includes rental income. Rental income represents income arising from operating leases and is recognised on a straight-line basis over the lease term.

Government grants

Government grants are recognised as other operating income where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to the income statement in equal amounts over the expected useful life of the related asset.

Income from investments in group undertakings and joint ventures

Income from investments in group undertakings comprises of dividend income. Dividends are recognised when the right to receive payment is established.

Interest income

Interest income on assets classified as loans and receivables is recognised in the income statement as it accrues and is calculated by using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instruments yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

Income from other investments

Investment income from other investments comprises a day-one gain on an available-for-sale financial asset whose fair value on initial recognition differed from its transaction price and dividend income.

Taxation

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the reporting date. Current tax assets and liabilities also include adjustments in respect of tax expected to be payable or recoverable in respect of previous periods.

Current tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the income statement.

Deferred tax

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences arising between the carrying amount of assets and liabilities for accounting purposes, and the amounts used for taxation purposes. It is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is recovered, using tax rates enacted or substantially enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax relating to items recognised outside the income statement is also recognised outside the income statement, either in other comprehensive income or directly in equity as appropriate.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2 . Accounting policies (continued)

Intangible assets

Software

Purchased software is recognised as an intangible asset, with the carrying value being reviewed at every reporting date for evidence of impairment and the value being written down if any impairment exists. If conditions subsequently improve, the previously recognised impairment may be reversed.

Amortisation of software begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of purchased software is amortised on a straight line basis over the expected useful life of the intangible asset. This has been set between two and seven years.

Expenditure on research activities is recognised in the income statement as an expense as incurred. Costs associated with the development of software for internal use are capitalised only if the software is technically feasible for sale or use on completion and the Company has both the intent and sufficient resources to complete the development. Subsequent expenditure is capitalised only if the cost of the asset can be reliably measured, will generate future economic benefits and there is an ability to use or sell the asset.

The cost of internally generated software is amortised over the expected useful life of the intangible asset on a straight line basis. The expected useful life is between three and five years.

Tangible assets

Property, plant and equipment

Property, plant and equipment comprise fixtures, fittings and equipment (including computer hardware). Replacement or major inspection costs are capitalised when incurred if it is possible that future economic benefits associated with the item will flow to the entity and the costs can be measured reliably.

These assets are stated at cost less depreciation and accumulated impairment. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to write off the cost less residual values of the assets over their economic lives. This has been set between three and eight years.

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the asset is derecognised.

Impairment and revaluation of property, plant and equipment

Carrying values are reviewed at each reporting date to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated and compared to the carrying value. The recoverable amount is the higher of the fair value of the asset, less costs to sell and the asset's value in use. Impairment losses are recognised through the income statement. Impairment may be reversed if conditions subsequently improve and credited through the income statement.

Investments in group undertakings and joint ventures

Investments in group undertakings are stated at cost less provisions for impairments.

Impairment of group undertakings and joint ventures

The carrying amounts of the Company's investments in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. Objective evidence of impairment may include reduction or elimination of the prospects of expected future dividends from the subsidiary. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an investment in group undertakings is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses and any reversals of impairments are recognised through the income statement.

Notes to the financial statements
For the year ended 31 December 2016

2 . Accounting policies (continued)

Financial assets

Classification

Financial assets falling within the scope of IAS 39 Financial Instruments: Recognition and Measurement are designated as 'available-for-sale' and 'loans and receivables'. The Company determines the classification of its financial assets at initial recognition. During the years ended 31 December 2016 and 31 December 2015 the Company did not classify any financial assets 'at fair value through profit or loss' or 'held to maturity'.

The Company's financial assets as at 31 December 2016 and 31 December 2015 include trade and other debtors and cash at bank which were classified as loans and receivables. As at 31 December 2016 and 31 December 2015, an investment in shares in an unquoted equity instrument was classified as available-for-sale and is reported under fixed asset investments.

Initial recognition of financial assets

The Company's financial assets are initially recognised at fair value, plus any directly attributable transaction costs. If the Company determines that the fair value of a financial asset on initial recognition differs from its transaction price, but the fair value measurement is not evidenced by a valuation technique that uses only data from observable markets, then the 'day-one gain' is deferred and is subsequently recognised as investment income only to the extent that it arises from a change in factor (including time) that a market participant would consider in setting a price.

Subsequent measurement

Available-for-sale financial assets are stated at fair value, with any resultant gain or loss (other than impairments) recognised through other comprehensive income and accumulated in the available-for-sale reserve. When available-for-sale financial assets are derecognised, the gain or loss accumulated in the available-for-sale reserve is reclassified to the income statement.

Loans and receivables are measured at amortised cost less accumulated impairment losses using the effective interest method.

Impairment of financial assets

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

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

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the available-for-sale reserve to the income statement. The amount reclassified is the difference between the value on initial recognition and the current fair value, less any impairment loss previously recognised in the income statement. If the fair value of an impaired available-for-sale financial asset subsequently increases, then the impairment loss is reversed through the income statement to the extent that it offsets impairment losses previously recognised; otherwise, it is reversed through the available-for sale reserve.

Derecognition of financial assets

A financial asset is derecognised when the rights to receive cash flows from that asset have expired or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the Company has a currently enforceable legal right to offset the recognised amounts and it intends to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

Financial liabilities

Financial liabilities falling within the scope of IAS 39 are classified as 'other financial liabilities'. The Company determines the classification of its financial liabilities at initial recognition.

The Company's financial liabilities at 31 December 2015 and 31 December 2016 include trade and other creditors and amounts owed to Group undertakings which are classified as other financial liabilities.

Initial recognition

Other financial liabilities are measured initially at fair value less directly attributable transaction costs.

Notes to the financial statements

For the year ended 31 December 2016

2 . Accounting policies (continued)

Subsequent measurement

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

Amortised cost is calculated by taking into account any fees or costs that are an integral part of effective interest rate, transaction costs and all other premiums and discounts. The amortisation is included in finance costs in the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification, is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Share Capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other assets to holders of the financial instruments.

Employee benefits - Pensions

The Company contributes to a defined contribution scheme for its employees. The contributions payable to this scheme are charged to the income statement in the accounting period to which they relate.

Leases

Company as a lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the related income. Contingent rents are recognised as revenue in the period in which they are earned (i.e. when virtually certain).

Company as a lessee - operating leases

Leases which do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments, including the effects of any lease incentives, are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Share-based payments

Where the Company's ultimate parent, esure Group plc, grants rights to its equity instruments to employees of esure Services Limited which are accounted for as equity-settled share-based payments in the consolidated accounts of the parent, esure Services Limited also accounts for these share-based payments as equity-settled. A corresponding credit to other reserves (an equity contribution from esure Group plc) is recorded in relation to each of the share-based payment expenses recorded for these awards.

Equity-settled share-based payments to employees are measured at the grant date at the fair value of the equity instruments (excluding the effect of non-market vesting conditions but including the effect of market vesting conditions). Fair value is not subsequently remeasured. The fair value of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the best estimate of the number of awards which will ultimately vest unconditionally with employees. The estimate of the number of awards expected to vest (excluding the effect of market vesting conditions) is revised at each reporting date, with any consequential changes to the charge recognised in the income statement. Where equity-settled share-based payments are modified, any incremental fair value is expensed on a straight-line basis over the revised vesting period.

Notes to the financial statements**For the year ended 31 December 2016****3 . Critical accounting judgements and estimates**

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates; however the financial statements presented are based on conditions that existed at the balance sheet date.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty and critical judgements in applying the Company's accounting policies

The key assumptions concerning the future, and other key sources of estimation uncertainty at each balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Recognition and measurement of tax assets and liabilities

A deferred tax asset arising on losses carried forward can only be recognised to the extent that it is considered probable that there will be sufficient profits generated in the respective tax jurisdiction in the future to recover the losses. Refer to note 19 for further details.

The measurement of current and deferred tax assets and liabilities requires an assessment to be made of the potential tax consequence of certain items that will only be resolved when agreed by the relevant tax authorities. Assessment of the likely outcome is based on historical experience, professional advice from external advisors, and the current status of any judgmental issues.

Useful lives of property, plant and equipment and software

Property, plant and equipment, other than land, and certain intangible assets are depreciated on a straight-line basis to write off the cost less estimated residual value of each asset over their estimated useful lives. The determination of appropriate useful lives requires the use of judgement based on a number of factors, including the expected usage of the asset, expected deterioration and technological obsolescence.

Determining the useful lives for the software licences requires particular judgement to be applied as follows:

The useful life of software licences is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. The useful life represents management's view of expected benefits over which the Company will receive benefits from the software, but not exceeding the licence term. For unique software products, the life is based on historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology.

Impairment of investments in group undertakings

As at 31 December 2016, reassessment of the recoverability of the Company's investment in esure broker Limited has been performed given potential uncertainty surrounding future dividend flows. Based on current projections, it is considered less than probable that esure broker Limited will be in a position to pay a future dividend and therefore the investment of £7.5m remains fully impaired as at 31 December 2016. The impairment may be reversed in future years if conditions change.

4 . Turnover

Turnover is attributable to fees, rent, commissions and additional services revenue from within the United Kingdom.

From 2016 onwards Turnover includes fee receivable from customers for administrative services related to policies.

5 . Other operating income

	2016 £m	2015 £m
Government grants received	0.2	0.2

esure Services Limited

Notes to the financial statements

For the year ended 31 December 2016

6 . Profit / (loss) after tax

Profit / (loss) after tax is stated after charging:

	2016 £m	2015 £m
Amortisation of intangible assets (note 13)	1.5	0.8
Depreciation of tangible fixed assets:		
- owned by the company (note 14)	3.3	0.9
Auditor's remuneration	0.6	0.0

Details of auditor's remuneration for the esure group of companies are disclosed in the consolidated financial statements of esure Group plc.

7 . Staff cost

Staff costs, including Directors' remuneration, were as follows:

	2016 £m	2015 £m
Wages and salaries	51.9	47.7
Social security costs	5.6	4.8
Other pension costs	2.5	2.2
Equity-settled share-based payment expense (note 8)	2.6	2.2
	<u>62.6</u>	<u>56.9</u>

The average monthly number of employees, including Directors, during the year was:

	2016	2015
Operations	1,212	1,193
Support	411	412
	<u>1,623</u>	<u>1,605</u>

esure Services Limited

Notes to the financial statements For the year ended 31 December 2016

8 . Share-based payments

esure Group plc has set up a number of equity-settled, share-based compensation plans on behalf of the employees of esure Services Limited which are to be settled in the equity instruments of esure Group plc. All schemes are accounted for as equity settled in the esure Services Limited financial statements.

The nature and extent of the share-based compensation plans that existed during the period are set out below. Full disclosure of the awards is provided in the consolidated financial statements of esure Group plc.

Performance Share Plan and Strategic Leadership Plan

The Performance Share Plan ("PSP") and the Strategic Leadership Plan ("SLP") are discretionary share plans for the Group's Executive and Senior Management. Awards have been made under the PSP and SLP plan as follows:

	2016 SLP awards	2015 PSP awards	2014 PSP awards
Grant dates	14 June 2016 / date employee joined	25 March 2015 / date employee joined	16 April 2014 / date employee joined
Number shares initially granted	2,213,351	2,036,537	1,739,871
Number outstanding at 1 January 2016	Nil	1,974,041	1,510,055
Forfeited / lapsed during the year	0	171,703	1,174,099
Vested during the period		68,930 for good leavers at Group's discretion	335,956
Exercised during the period	0	68,930	335,956
Average exercise price during the year		£Nil	£Nil
Number outstanding at 31 December 2016	2,213,351	1,733,408	0
Contractual life	3 years	3 years	3 years
Exercise price	£Nil	£Nil	£Nil

Restructuring Award Plan ("RAP")

RAP awards were made to Directors and senior management during 2016. The total number of instruments granted in the year and outstanding at 31 December 2016 was 2,073,395. The vesting condition is continued employment and these will vest at the end of one year and the exercise price is £nil.

Long Service awards

These awards were made to eligible employees who did not already own shares in the Group and had been employed by the Group for more than two years at the point of the Group's Admission to the London Stock Exchange. The award levels were determined by length of service.

The details of the award are set out below:

Date of grant	27 March 2013
Number granted	1,381,391
Number outstanding at 1 January 2016	1,146,406
Exercised during the year	1,146,406
Number outstanding at 31 December 2016	0
Average exercise price during the year	£nil

esure Services Limited

Notes to the financial statements

For the year ended 31 December 2016

8 . Share-based payments (continued)

Save As You Earn ("SAYE") schemes

The Group has a three year SAYE scheme and a five year SAYE scheme. Under the 2016 scheme esure employees are offered the opportunity to save between £5 and £500 each month in order to purchase shares in either three or five years time at an exercise price at a 20% discount on the share price at the date before invitations were issued to participate.

The details of these awards are set out below:

	2016 SAYE scheme		2015 SAYE scheme	
	3 year scheme	5 year scheme	3 year scheme	5 year scheme
Date of grant	29 December 2016		9 September 2015	
Number shares initially granted	1,568,640	142,889	706,966	101,823
Number outstanding at 1 January 2016	Nil	Nil	687,774	101,823
Forfeited / lapsed during the year	450	0	304,280	80,174
Vested for good leavers at Group's discretion during year	0	0	3,219	0
Number outstanding at 31 December 2016	1,568,190	142,889	380,275	21,649
Average exercise price during the year			£1.912	
Exercise price of outstanding awards	£1.5972		£1.912	

	2014 SAYE scheme		2013 SAYE scheme	
	3 year scheme	5 year scheme	3 year scheme	5 year scheme
Date of grant	3 September 2014		6 September 2013	
Number shares initially granted	527,607	67,144	1,083,748	176,260
Number outstanding at 1 January 2016	383,889	30,876	761,577	154,307
Forfeited / lapsed during the year	159,896	8,010	33,227	63,780
Exercised during the year	0	0	688,374	4,252
Number outstanding at 31 December 2016	223,993	22,866	0	86,275
Number exercisable at 31 December 2016	0	0	39,976	0
Average exercise price during the year			£1.940	
Exercise price of outstanding awards	£2.08		£1.940	

9 . Directors' remuneration

	2016 £m	2015 £m
Emoluments in respect of qualifying services	2.9	2.6
Vested share awards	0.6	-
Contributions to defined contribution pension schemes	0.2	0.1
Total Directors' remuneration	3.7	2.7

All of the Directors of esure Group plc and its subsidiary undertakings receive remuneration from esure Services Limited as employees of that company. The Directors of esure Services Limited received total remuneration of £3.7m during the year ended 31 December 2016 (2015: £2.7m). It is not appropriate to allocate this remuneration between their services as Directors of esure Services Limited and the other services provided to esure Group plc and its subsidiary undertakings.

Directors' emoluments do not include the value of any share options granted to Directors. Full disclosure of the awards is provided in the consolidated financial statements of esure Group plc.

During the year, retirement benefits were accruing to 3 Directors of esure Services Limited (2015: 3) in respect of defined contribution pension schemes.

Remuneration of the highest paid Director

	2016 £m	2015 £m
Emoluments in respect of qualifying services	1.1	0.7
Vested share awards	0.2	-
Contributions to defined contribution pension schemes	0.1	-
	1.4	0.7

10 . Interest receivable

	2016 £m	2015 £m
Interest receivable from group companies (note 16)	0.0	4.1
Other interest receivable	-	0.0
	0.0	4.1

11 . Interest payable

	2016 £m	2015 £m
On loans from group undertakings	0.1	0.1

esure Services Limited

Notes to the financial statements

For the year ended 31 December 2016

12 . Taxation

	2016 £m	2015 £m
UK corporation tax (charge) / credit on profit / (loss) for the year	(0.2)	1.0
Adjustments in relation to the current tax of prior years	0.0	(0.2)
Taxation (credit) / charge	<u>(0.2)</u>	<u>0.8</u>
Deferred tax for the reporting period (Note 19)	0.7	0.3
Effect of change in tax rate	(0.1)	0.0
Total deferred tax	<u>0.6</u>	<u>0.3</u>
Taxation expense	<u>0.4</u>	<u>1.1</u>

The tax rate used for the calculations is the Corporation Tax rate of 20.00% (2015: 20.25%) payable by the corporate entities in the UK on taxable profits under tax law in that jurisdiction.

The expense for the year can be reconciled to the profit per the income statement and other comprehensive income as follows:

	2016 £m	2015 £m
Profit / (loss) before taxation	<u>88.4</u>	<u>(21.8)</u>
Taxation calculated at 20.00% (2015: 20.25%)	17.7	(4.4)
Effect of expenses that are not deductible for tax purposes	0.6	14.1
Adjustments in relation to the current tax of prior years	0.0	(0.2)
Non taxable income	(17.8)	(8.4)
Effect of change in tax rate	(0.1)	0.0
Taxation expense	<u>0.4</u>	<u>1.1</u>

During the year ended 31 December 2015, an intercompany loan to esure Finance Limited was waived, by means of a Deed of Release, resulting in a £62.9m reduction in amounts owed by group undertakings. This transaction was not deductible for tax purposes.

Tax recognised directly in equity

	2016 £m	2015 £m
Current tax recognised directly in equity	-	0.0
Deferred tax charge recognised directly in equity	0.1	0.0
Total tax charge recognised directly in equity	<u>0.1</u>	<u>0.0</u>

The deferred tax recognised directly in equity relates to deferred tax arising on share-based payments where the amount of the estimated future tax deduction exceeds the amount of the related cumulative remuneration expense recognised.

Factors affecting the tax charge for future periods

A reduction in the standard rate of Corporation Tax from 21% to 20% was effective from 1 April 2015. There will be further reductions in the rate of Corporation Tax to 19% from 1 April 2017 and 17% from 1 April 2020. These changes were substantively enacted at the year end date and have been taken into account in the calculation of the deferred tax liability.

esure Services Limited

Notes to the financial statements For the year ended 31 December 2016

13 . Intangible fixed assets

	Software £m
Cost	
At 1 January 2016	15.4
Additions	4.6
Disposals	(0.2)
At 31 December 2016	<u>19.8</u>
Amortisation	
At 1 January 2016	10.4
Charge for the year	1.5
Disposals	(0.2)
At 31 December 2016	<u>11.7</u>
Net book value	
At 31 December 2016	<u>8.1</u>
Net book value	
At 1 January 2016	<u>5.0</u>

There were no indicators of impairment in the periods reported and as a result no impairment testing was performed.

14 . Tangible fixed assets

	Furniture, fittings and equipment £m
Cost	
At 1 January 2016	47.6
Additions	2.6
Disposals	(1.5)
At 31 December 2016	<u>48.7</u>
Depreciation	
At 1 January 2016	26.9
Charge for the year	3.3
Disposals	(1.1)
At 31 December 2016	<u>29.1</u>
Net book value	
At 31 December 2016	<u>19.6</u>
Net book value	
At 1 January 2016	<u>20.7</u>

There were no indicators of impairment in the periods reported and as a result no impairment testing was performed.

esure Services Limited

Notes to the financial statements For the year ended 31 December 2016

15 . Investments

Fixed asset investments comprise:

	Unlisted equity investment £m	Shares in group undertakings		Total £m
		Investment in esure Broker Limited £m	Investment in Gocompare.com Holdings Limited £m	
At 1 January 2016	2.3	-	98.9	101.2
Demerger of Gocompare.com Holdings Limited	-	-	(98.9)	(98.9)
Change in discounted cash flow valuation	0.9	-	-	0.9
At 31 December 2016	3.2	-	-	3.2

The unlisted equity investment is classified as available for sale and has been valued using the discounted cash flow valuation model.

Investments in group undertakings

Investments in group undertakings, which are wholly and directly owned are as follows:

	Country of Incorporation	Registered office	Class of shares held	Percentage of shares held
esure Broker Limited	England and Wales	The Observatory, Reigate, Surrey, RH2 0SG	Ordinary	100%

Investment in esure Broker Limited

As at 31 December 2016, reassessment of the recoverability of the Company's investment in esure broker Limited was performed given potential uncertainty surrounding future dividend flows. Based on projections, it was considered less than probable that esure broker Limited would be in a position to pay a future dividend and therefore the investment of £7.5m remains fully impaired as at 31 December 2016. The impairment may be reversed in future years if conditions change.

Investment in Gocompare.com Holdings Limited

On 7 June 2016 the Board announced a strategic review which concluded that a demerger of Gocompare.com should be pursued. At a General Meeting on 1 November 2016, the Company's shareholders approved the demerger of Gocompare.com plc. On 3 November 2016, the demerger was completed and the shares in Gocompare.com were admitted to the premium segment of the Official List and to trading on the main market of the London Stock Exchange. The demerger was effected by the Group making an interim in-specie distribution of Gocompare.com shares to shareholders.

16 . Debtors: Amounts falling due within one year

	2016 £m	2015 £m
Amounts owed by group undertakings	17.3	15.0
Corporation tax	0.5	-
Other debtors	1.2	0.9
Prepayments and accrued income	2.2	2.1
Deferred tax asset (see note 19)	-	0.2
	<u>21.2</u>	<u>18.2</u>

During the year ended 31 December 2015, an intercompany loan to esure Finance Limited was waived, by means of a Deed of Release, resulting in a £62.9m reduction in amounts owed by group undertakings. This transaction was not deductible for tax purposes.

esure Services Limited

Notes to the financial statements

For the year ended 31 December 2016

17 . Creditors: Amounts falling due within one year

	2016 £m	2015 £m
Amounts owed to group undertakings	22.5	27.0
Corporation tax	-	0.1
Social security and other taxes	1.2	0.3
Other creditors	9.3	1.5
Accruals	19.9	20.9
	<u>52.9</u>	<u>49.8</u>

18 . Creditors: Amounts falling due after more than one year

	2016 £m	2015 £m
Subordinated loan from group undertaking	<u>1.5</u>	<u>1.5</u>

The subordinated loan, including interest, is repayable at two years notice.

19 . Deferred taxation asset / (liability)

The deferred tax (liability) / asset is made up as follows:

	2016 £m	2015 £m
Capital allowances	(0.8)	(0.7)
Share-based payments	<u>0.3</u>	<u>0.9</u>
	<u>(0.5)</u>	<u>0.2</u>

There were no unrecognised deferred tax assets.

The deferred tax blended rate is 26.70% (2015: 20.00%).

	Capital allowances £m	Share-based payments £m	Total £m
1 January 2015	0.1	0.4	0.5
Deferred tax credit for the period	(0.8)	0.5	(0.3)
At 31 December 2015	<u>(0.7)</u>	<u>0.9</u>	<u>0.2</u>
At 1 January 2016	(0.7)	0.9	0.2
Deferred tax credit for the period	(0.2)	(0.5)	(0.7)
Effect of change in tax rate	0.1	0.0	0.1
Recognised directly in equity	-	(0.1)	(0.1)
At 31 December 2016	<u>(0.8)</u>	<u>0.3</u>	<u>(0.5)</u>

20 . Share capital

	2016 £m	2015 £m
Authorised, allotted, called up and fully paid		
500,000 Ordinary shares of £1 each	<u>0.5</u>	<u>0.5</u>

esure Services Limited

Notes to the financial statements For the year ended 31 December 2016

21 . Capital commitments

The Company had capital commitments as follows:

	2016 £m	2015 £m
Contracted for but not provided in these financial statements	0.3	0.4

22 . Pension commitments

The Company contributes to a Group Personal Pension defined contribution scheme available to all staff of which 1,451 (2015: 1,408) employees participated in the scheme.

The pension cost charge for the period represents contributions payable by the company to the pension scheme and amounted to £2.5m (2015 - £2.2m). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

23 . Contingent liabilities

The Company has confirmed that it will provide such funds and continued financial support as necessary to ensure that esure broker Limited is able to continue trade for the foreseeable future and for a period of not less than 12 months from the date of approval of the esure broker Limited financial statements for the year ended 31 December 2016.

24 . Operating leases

The Company leases offices under operating leases and sublets a portion of the space not occupied.

Leases as a lessee - future minimum lease payments payable

At 31 December, the future minimum lease payments payable under non-cancellable operating leases were as follows:

	2016 £m	2015 £m
Less than one year	1.4	1.4
Between one and five years	6.0	5.8
More than five years	14.4	16.1
	<u>21.8</u>	<u>23.3</u>

Leases as a lessor - future minimum lease payments receivable

At 31 December, the future minimum lease payments receivable under non-cancellable operating leases were as follows:

	2016 £m	2015 £m
Less than one year	0.1	0.2
Between one and five years	0.0	0.4
More than five years	0.0	-
	<u>0.1</u>	<u>0.6</u>

25 . Other comprehensive income

During the year ended 31 December 2016, £0.2m was credited to other comprehensive income in respect of fair value movements on an available for sale financial asset (31 December 2015: £1.0m). The available for sale reserve as at 31 December 2016 represents accumulated fair value changes in respect of the financial asset.

26 . Dividends paid

Before the demerger of Gocompare a dividend of £62.5m was paid from available reserves to the parent company.

27 . Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of esure Holdings Limited. The Company's ultimate parent and the largest and smallest accounts into which the Company is consolidated is esure Group plc. The registered office of esure Group plc is The Observatory, Reigate, Surrey RH2 0SG.