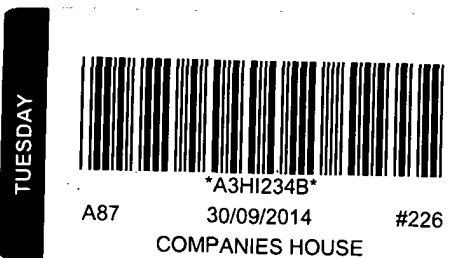


**Strategic Report, Report of the Directors and  
Audited Financial Statements for the Year Ended 31 December 2013  
for  
Sesame Bankhall Valuation Services  
Limited**



**Contents of the Financial Statements  
for the Year Ended 31 December 2013**

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**Company Information**  
**for the Year Ended 31 December 2013**

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**DIRECTORS:**

G P Brewster  
R M Clifford  
J Cupis  
P R Gratton  
J Malone  
J Cowan  
J Kelly  
S Jackson

**SECRETARY:**

Friends Life Secretarial Services Limited

**REGISTERED OFFICE:**

Pixham End  
Dorking  
Surrey  
RH4 1QA

**REGISTERED NUMBER:**

04219521 (England and Wales)

**AUDITORS:**

Ernst & Young LLP  
The Paragon  
Counterslip  
Bristol  
BS1 6BX

**Strategic Report  
for the Year Ended 31 December 2013**

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The directors present their strategic report for Sesame Bankhall Valuation Services Limited ("the Company") for the year ended 31 December 2013.

**REVIEW OF BUSINESS**

The principal activity of the Company in the year under review was that of the provision of panel management services.

Turnover for the year increased to £11.95m (2012: £4.7m), driven by the Company securing increased lender referrals, and a large demand for valuations, particularly in the south east of England.

Operating profits grew to £553,000 (2012: £169,000). Operating margins increased by 1.1% compared to the prior year. The net asset position of the Company improved to £420,000 (2012: £3,000) following the strong trading performance of the business.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Company is susceptible to any major downturn in property market conditions and liquidity in the mortgage market, as this is likely to reduce a consumer's propensity to arrange new mortgages, and subsequently impact on the Company's panel management activities.

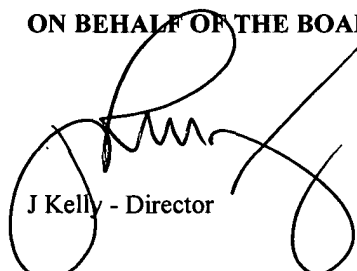
**FUTURE OUTLOOK**

The directors are pleased with the growth made in this financial year, and continue to focus on strengthening relationships with lenders and exploring further opportunities for growth. The directors are optimistic about the future prospects of the business, both in terms of the housing market outlook and the company's ability to secure further lender volume.

The Company continues to invest in technology to improve the quality and efficiency of work carried out.

Over the course of 2014 the Company will work with lenders to provide a panel management service with professionalism and integrity.

**ON BEHALF OF THE BOARD:**



J Kelly - Director

29 September 2014

**Report of the Directors  
for the Year Ended 31 December 2013**

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The directors present their report with the financial statements of the Company for the year ended 31 December 2013.

**DIVIDENDS**

No dividends will be distributed for the year ending 31 December 2013 (2012: £nil).

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report.

J Malone  
G P Brewster  
R M Clifford  
J Cupis  
P R Gratton

Changes in directors holding office in the period from 1 January 2013 to the date of this report are as follows:

B Abram - resigned 25 March 2013  
G Higginson - resigned 7 January 2014  
P Hooper - resigned 7 January 2014  
J Cowan - appointed 12 February 2014  
J Kelly - appointed 12 February 2014  
S Jackson - appointed 12 February 2014

**DIRECTORS AND OFFICERS - INDEMNITY AND INSURANCE**

Friends Life Group Limited, the ultimate parent, maintains insurance cover in respect of directors' and officers' liabilities. In addition qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) are in force for the benefit of the directors within the Friends Life Group (the "Group") and were in force for the benefit of former directors of the Group during 2013. Copies of the indemnities are available for inspection from the registered office of Friends Life Group Limited.

**GOING CONCERN**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic and Directors' Reports. The directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Report of the Directors  
for the Year Ended 31 December 2013**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors 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 with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

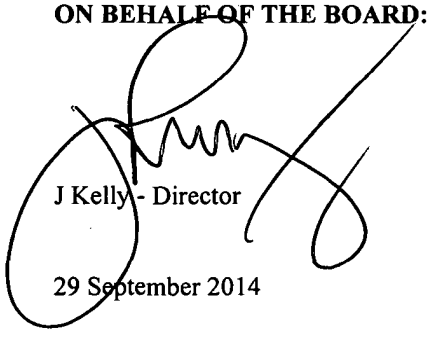
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**AUDITORS**

In accordance with section 487 of the Companies Act 2006, Ernst & Young LLP are deemed to be re-appointed as the Company's auditor and will therefore continue in office.

**ON BEHALF OF THE BOARD:**



J Kelly - Director

29 September 2014

We have audited the financial statements of Sesame Bankhall Valuation Services Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Auditors' 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's 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 auditors**

As explained more fully in the Statement of Directors' Responsibilities 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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.



Richard Page (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP  
Bristol

29 September 2014

**Profit and Loss Account  
for the Year Ended 31 December 2013**

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	Notes	2013 £'000	2012 £'000
<b>TURNOVER</b>		11,950	4,723
Cost of sales		<u>11,118</u>	<u>4,389</u>
<b>GROSS PROFIT</b>		832	334
Administrative expenses		<u>279</u>	<u>165</u>
<b>OPERATING PROFIT</b>	4	553	169
Interest payable and similar charges	5	<u>10</u>	<u>24</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		543	145
Tax on profit on ordinary activities	6	<u>126</u>	<u>36</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>417</u>	<u>109</u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous year.

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the profits for the current year or previous year.

The notes form part of these financial statements

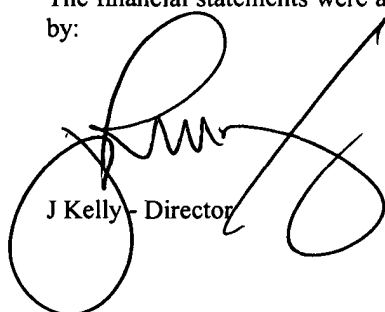
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**Balance Sheet**  
**31 December 2013**

	Notes	2013 £'000	2012 £'000
<b>CURRENT ASSETS</b>			
Debtors	7	2,124	1,538
Cash in hand		<u>558</u>	<u>525</u>
		2,682	2,063
<b>CREDITORS</b>			
Amounts falling due within one year	8	<u>2,262</u>	<u>1,910</u>
<b>NET CURRENT ASSETS</b>		<u>420</u>	<u>153</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		420	153
<b>CREDITORS</b>			
Amounts falling due after more than one year	9	<u>-</u>	<u>150</u>
<b>NET ASSETS</b>		<u>420</u>	<u>3</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	1	1
Share premium	11	9	9
Profit and loss account	11	<u>410</u>	<u>(7)</u>
<b>SHAREHOLDERS' FUNDS</b>	14	<u>420</u>	<u>3</u>

The financial statements were approved by the Board of Directors on 29 September 2014 and were signed on its behalf by:

  
J Kelly - Director

The notes form part of these financial statements

**Cash Flow Statement**  
for the Year Ended 31 December 2013

	Notes	2013 £'000	2012 £'000
<b>Net cash inflow from operating activities</b>	1	193	358
<b>Returns on investments and servicing of finance</b>	2	<u>(10)</u>	<u>(24)</u>
		183	334
<b>Financing</b>	2	<u>(150)</u>	<u>(50)</u>
<b>Increase in cash in the period</b>		<u>33</u>	<u>284</u>
<hr/>			
<b>Reconciliation of net cash flow to movement in net funds</b>	3		
Increase in cash in the period		<u>33</u>	<u>284</u>
Change in net funds resulting from cash flows		<u>33</u>	<u>284</u>
<b>Movement in net funds in the period</b>		33	284
<b>Net funds at 1 January</b>		<u>525</u>	<u>241</u>
<b>Net funds at 31 December</b>		<u>558</u>	<u>525</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement  
for the Year Ended 31 December 2013**

**1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2013 £'000	2012 £'000
Operating profit	553	169
Increase in debtors	(592)	(825)
Increase in creditors	<u>232</u>	<u>1,014</u>
<b>Net cash inflow from operating activities</b>	<u><u>193</u></u>	<u><u>358</u></u>

**2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	2013 £'000	2012 £'000
<b>Returns on investments and servicing of finance</b>		
Interest paid	<u>(10)</u>	<u>(24)</u>
<b>Net cash outflow for returns on investments and servicing of finance</b>	<u><u>(10)</u></u>	<u><u>(24)</u></u>
<b>Financing</b>		
New loans in year	-	100
Loan repayments in year	<u>(150)</u>	<u>(150)</u>
<b>Net cash outflow from financing</b>	<u><u>(150)</u></u>	<u><u>(50)</u></u>

**3. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1/1/13 £'000	Cash flow £'000	At 31/12/13 £'000
<b>Net cash:</b>			
Cash at bank and in hand	<u>525</u>	<u>33</u>	<u>558</u>
	<u>525</u>	<u>33</u>	<u>558</u>
<b>Total</b>	<u><u>525</u></u>	<u><u>33</u></u>	<u><u>558</u></u>

The notes form part of these financial statements

**Notes to the Financial Statements  
for the Year Ended 31 December 2013**

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**1. ACCOUNTING POLICIES**

**Accounting convention**

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

**Going Concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax and relates to continuing operations in the United Kingdom.

**Current tax**

Taxation is based on the profits and income for the period as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior periods. Tax payable is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Current taxation is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss recognised outside the profit and loss account, in which case the current tax is recognised in the statement of total recognised gains and losses, or equity, as applicable.

**Deferred tax**

Deferred tax is recognised on timing differences arising between the recognition of gains and losses in the financial statements and their recognition in a tax computation. The tax rates used are the rates that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for deferred tax liabilities. Deferred tax assets are recognised to the extent that they are more likely than not to be regarded as recoverable against suitable taxable profits.

Deferred taxation is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss recognised outside the profit and loss account, in which case the deferred tax is recognised in the statement of total recognised gains and losses, or equity, as applicable. The deferred tax balances are not discounted.

**2. STAFF COSTS**

There were no staff costs for the year ended 31 December 2013 nor for the period ended 31 December 2012.

The Company is charged for staff support costs by its parent companies, Sesame Services Limited and Direct Valuations Limited. Further details can be found in the Related Parties Disclosures in Note 13.

**3. DIRECTORS' EMOLUMENTS**

There were no directors emoluments in the year ended 31 December 2013 nor for the period ended 31 December 2012.

The services of the directors to the Company are considered incidental to their responsibilities elsewhere. As such, no amounts have been recharged to the Company for directors' remuneration.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013

4. OPERATING PROFIT

Auditors remuneration of £10,000 (2012: £10,000) was borne by Sesame Services Limited (the Company's immediate parent company) and not recharged, as was the case in the prior year.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Other interest	<u>10</u>	<u>24</u>

Other interest represents the finance costs associated with a working capital loan which bore an interest rate of 7.5% and was repaid in full during the year. Further information on the loan is available in Note 9, Creditors: amounts due after more than one year.

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2013 £'000	2012 £'000
Current tax:		
UK corporation tax	<u>126</u>	<u>36</u>
Tax on profit on ordinary activities	<u>126</u>	<u>36</u>

UK corporation tax has been charged at 23.25% (2012 - 24.50%).

Factors that may affect future tax charges

Reductions to the corporation tax rate to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were enacted in 2013. This will reduce the the proportion of tax paid by the Company on future profits.

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Trade receivables	2,110	1,519
Corporation tax - group relief	-	6
Prepayments and accrued income	<u>14</u>	<u>13</u>
	<u>2,124</u>	<u>1,538</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Trade payables	148	812
Amounts owed to group undertakings	708	246
Corporation tax - group relief	120	-
Other payables	101	731
Accruals and deferred income	<u>1,185</u>	<u>121</u>
	<u>2,262</u>	<u>1,910</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013

8. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued**

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Further information relating to amounts owed to group undertakings is detailed in the Related Parties Disclosures in Note 13.

9. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2013 £'000	2012 £'000
Amounts owed to group undertakings	-	150

The Company's parent, Sesame Services Limited, extended a loan to the Company in a prior year of £200,000. The loan was made at arms-length commercial terms and the interest rate charged on the loan was 7.5%. The loan was not repayable within one year nor on demand. The loan was due for repayment only when the Company has sufficient cash resources and in any event no later than 2021.

During the prior year an additional amount of £100,000 was loaned to the Company by Sesame Services Limited. The Company then repaid £150,000 of the outstanding loan balance prior to the 2012 year end.

In November 2013 the outstanding balance of £150,000 and accrued interest was repaid in full.

Further information relating to amounts owed to group undertakings is detailed in the Related Parties Disclosures in Note 13.

10. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2013 £'000	2012 £'000
750	Ordinary "A" shares	£1	1	1
250	Ordinary "B" shares	£1	-	-
			<u>1</u>	<u>1</u>

The A and B shares rank equally in all respects with equal voting rights; equal dividend and capital distribution (including on winding up) rights. Neither class of share confers any rights of redemption.

The ordinary "A" Shares are held by Sesame Services Limited, and represent 75% of the share capital of the Company. The ordinary "B" Shares are held by Direct Valuations Limited, and represent 25% of the share capital of the Company.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013

11. RESERVES

	Profit and loss account £'000	Share premium £'000	Totals £'000
At 1 January 2013	(7)	9	2
Profit for the year	<u>417</u>	<u>—</u>	<u>417</u>
At 31 December 2013	<u>410</u>	<u>9</u>	<u>419</u>

12. ULTIMATE PARENT COMPANY

The Company's immediate parent company is Sesame Services Limited, a company registered in England and Wales.

The Company's ultimate parent undertaking is Friends Life Group Limited ("FLG"). The name of the ultimate parent was changed from Resolution Limited to FLG on 8 May 2014, following shareholder approval. FLG is incorporated in Guernsey. Copies of the Group Report and Accounts of FLG can be viewed via its website at [www.friendslifegroup.com](http://www.friendslifegroup.com).

The smallest Group in which the results of the Company are consolidated is that headed by Friends Life Holdings plc. Friends Life Holdings plc changed its name on 8 May 2014 from Friends Life Group plc following Board approval.

13. RELATED PARTY DISCLOSURES

	2013 £'000	2012 £'000
Included within amounts due to group undertakings are:		
Sesame Services Limited	<u>708</u>	<u>396</u>

The outstanding balance relates to a value-added tax creditor settled on the Company's behalf by Sesame Services Limited.

During the year Sesame Services Limited has charged £359,464 (2012: £254,004) and Direct Valuations Limited has charged £833,544 (2012: £356,203) for direct and administrative costs of the operations of the Company.

A loan of £150,000 due to Sesame Services Limited was repaid in full during the year. Further information on this loan is available in Note 9 Creditors: amounts falling due after more than one year.

Directors G P Brewster and P R Gratton are also directors of Direct Valuations Limited.  
Directors J Cowan and J Kelly are also directors of Sesame Bankhall Group Limited, the immediate parent company of Sesame Services Limited.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013

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14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013	2012
	£'000	£'000
Profit for the financial year	<u>417</u>	<u>109</u>
Opening shareholders' funds	<u>3</u>	<u>(106)</u>
Closing shareholders' funds	<u><u>420</u></u>	<u><u>3</u></u>