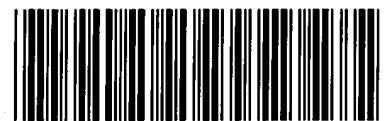


**REGISTERED NUMBER: 05011650 (England and Wales)**

**Strategic Report, Report of the Directors and  
Audited Financial Statements for the Year Ended 31 December 2016  
for  
Premier Mortgage Service Limited**

**TUESDAY**



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**Contents of the Financial Statements  
for the Year Ended 31 December 2016**

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**Premier Mortgage Service Limited**

**Company Information  
for the Year Ended 31 December 2016**

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**DIRECTORS:**

J Cowan  
J Kelly  
M T Graves

**SECRETARY:**

Aviva Company Secretarial Services Limited

**REGISTERED OFFICE:**

Pixham End  
Dorking  
Surrey  
RH4 1QA

**REGISTERED NUMBER:**

05011650 (England and Wales)

**INDEPENDENT AUDITORS:**

PricewaterhouseCoopers LLP  
101 Barbirolli Square  
Manchester  
M2 3PW

**Strategic Report  
for the Year Ended 31 December 2016**

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The directors of Premier Mortgage Service Limited ("the Company") present their strategic report for the year ended 31 December 2016.

**REVIEW OF BUSINESS**

On 5 December 2016 the Company acquired the PMS mortgage club, Zenith and Market, and Paymentsshield businesses from Bankhall Support Services Limited, a fellow Sesame Bankhall Group ("SBG") subsidiary, for consideration of £16.1m. The consideration value was based on a valuation of the income streams acquired by an external independent specialist using a discounted future cash flow valuation as the basis. The consideration given comprised £16.1m of £1 ordinary shares issued at par to Bankhall Support Services Limited on the acquisition date.

This business acquisition was effected as part of a wider restructure of SBG with the aim of rationalising and simplifying the group structure. Prior to the acquisition of PMS the Company was dormant during the current and prior year.

**PRINCIPAL RISKS AND UNCERTAINTIES**

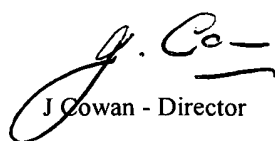
The directors consider that the principal risks and uncertainties facing the Company are no different to those generally applicable to businesses of its size and complexity. These include, but are not restricted to, changes in the market within which the Company operates and the effect on its proposition of advances in technology and the general economic conditions for the financial intermediary.

**KEY PERFORMANCE INDICATORS (KPIs)**

The Board monitors the performance of the Company using a number of financial and non-financial performance measures. A number of these for the Company are set out in these financial statements and are shown below.

	2016	2015
	£'000	£'000
Revenue	633	-
Operating profit / result	245	-
Profit / result before income tax	245	-
Profit / result for the year	196	-
Net assets	16,296	-

**ON BEHALF OF THE BOARD:**

  
J Cowan - Director

6 September 2017

**Report of the Directors  
for the Year Ended 31 December 2016**

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The directors present their report with the audited financial statements the Company for the year ended 31 December 2016.

Certain information that is required in the Report of the Directors under the Companies Act has been disclosed in the Strategic Report on page 2.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company in the year under review was that of a mortgage distributor in the United Kingdom. The Company is an appointed representative of the fellow SBG company Sesame Limited.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2016 (2015: £nil).

**FUTURE DEVELOPMENTS**

SBG is a broadly-based financial services group, with a long-term vision and commitment to professional financial advice. This commitment and strength, along with the investments made by the parent group during the strategic review, put SBG in a strong position to provide greater value and choice to more adviser firms in the future.

SBG continues to invest in the Company and the PMS brand to ensure that they are well placed to respond to future market changes and opportunities.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report:

J Cowan

Changes in directors holding office in the period from 1 January 2016 to the date of this report are as follows:

D J Burlison - resigned 27 July 2017

M T Graves - appointed 27 July 2017

J Kelly - appointed 27 July 2017

**DIRECTORS AND OFFICERS - INDEMNITY AND INSURANCE**

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985, which continue to apply in relation to any provision made before 1 October 2007. This indemnity is a "qualifying third party indemnity" for the purposes of sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the Report of the Directors by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

The directors also have the benefit of the indemnity provision contained in the Company's articles of association, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006.

**POLITICAL DONATIONS AND EXPENDITURE**

The Company made no charitable or political donations (2015: £nil).

**Report of the Directors - continued  
for the Year Ended 31 December 2016**

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**FINANCIAL RISK MANAGEMENT**

The enterprise risk management framework for Premier Mortgage Service Limited is articulated by reference to three key areas:

- Culture, leadership and setting the right tone;
- Risk identification and the management cycle; and
- The demonstration of our effective risk management by outcomes evidenced through reports and analysis.

Culture, leadership and tone comprises the following components:

- Appropriate board and committee structures with defined terms of reference;
- Defined delegated authority limits and decision matrices;
- Strategic and operational plans; and
- The suite of policies which set out the limits of exposure in respect of each risk area.

The risk identification and management cycle is the process by which the Company identifies and evaluates risk, plans and implements strategic initiatives, controls exposures and monitors outcomes.

Demonstration of the effectiveness of risk management is evidenced through:

- Analysis of progress against plans using key performance indicators and key risk indicators
- Regular reports on risks and issues.

As a result of its normal business activities, the Company is exposed to a variety of risks, including operational, market, liquidity and credit risk.

**Credit risk**

The exposure of the Company to credit risk primarily relates to the recovery of trade receivables. A formal process for recovery of these receivables is in place and management monitor this process on a continual basis.

**Market risk**

The Company is exposed to any major economic downturn which causes poor liquidity in the mortgage market as this is likely to reduce a consumer's propensity to arrange new mortgages. The directors monitor the performance of the business and market as a whole on a continual basis in order to ensure the Company is well placed to respond appropriately to any significant changes.

**Liquidity risk**

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can only secure such resources at excessive cost. The Company has a healthy cash surplus and positive net current assets. As such, the directors consider the Company to have minimal exposure to liquidity risk.

**STATEMENT OF GOING CONCERN**

The directors believe that with the changes implemented as part of the strategic review of SBG the Company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Consequently, they continue to adopt the going concern basis of accounting in the preparation of the annual financial statements.

**Report of the Directors - continued  
for the Year Ended 31 December 2016**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, Report of the Directors and Audited Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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**

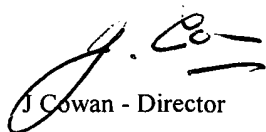
In the case of each director in office at the date the Report of the Directors is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**INDEPENDENT AUDITORS**

In accordance with Section 487 of the Companies Act 2006, PricewaterhouseCoopers LLP is deemed to be re-appointed as the Company's auditors and therefore will continue in office.

**ON BEHALF OF THE BOARD:**



J Cowan - Director

6 September 2017

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Our opinion**

In our opinion, Premier Mortgage Service Limited's financial statements (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 and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **What we have audited**

The financial statements, included within the Strategic Report, Report of the Directors and Audited Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Profit or Loss and Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

### **OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

#### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### **RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.



## **RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT**

### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **What an audit of financial statements involves**

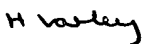
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.



Heather Varley (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

7 September 2017

Statement of Profit or Loss  
for the Year Ended 31 December 2016

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	Note	2016 £'000	2015 £'000
<b>CONTINUING OPERATIONS</b>			
Revenue		633	-
Administrative expenses		<u>(388)</u>	<u>-</u>
<b>OPERATING PROFIT</b>		<u>245</u>	<u>-</u>
<b>PROFIT BEFORE INCOME TAX</b>	4	245	-
Income tax	5	<u>(49)</u>	<u>-</u>
<b>PROFIT FOR THE YEAR</b>		<u>196</u>	<u>-</u>

The notes on pages 13 to 20 form part of these financial statements

Statement of Comprehensive Income  
for the Year Ended 31 December 2016

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	2016 £'000	2015 £'000
<b>PROFIT FOR THE YEAR</b>	196	-
<b>OTHER COMPREHENSIVE INCOME</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>196</u>	<u>-</u>

The notes on pages 13 to 20 form part of these financial statements

**Statement of Financial Position  
as at 31 December 2016**

	Note	2016 £'000	2015 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	6	<u>16,100</u>	-
<b>CURRENT ASSETS</b>			
Trade and other receivables	7	147	-
Cash and cash equivalents	8	<u>3,201</u>	-
		<u>3,348</u>	-
<b>TOTAL ASSETS</b>		<u><u>19,448</u></u>	<u><u>-</u></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	9	16,100	-
Retained earnings	10	<u>196</u>	-
<b>TOTAL EQUITY</b>		<u><u>16,296</u></u>	<u><u>-</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	2,426	-
Tax payable		49	-
Provisions	12	<u>677</u>	-
		<u>3,152</u>	-
<b>TOTAL LIABILITIES</b>		<u><u>3,152</u></u>	<u><u>-</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>19,448</u></u>	<u><u>-</u></u>

The financial statements were approved by the Board of Directors on 6 September 2017 and were signed on its behalf by:

  
J Cowan - Director

The notes on pages 13 to 20 form part of these financial statements

Statement of Changes in Equity  
for the Year Ended 31 December 2016

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	Called up share capital £'000	Retained earnings £'000	Total equity £'000
<b>Changes in equity</b>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2015</b>	<hr/> -	<hr/> -	<hr/> -
<b>Changes in equity</b>			
Issue of share capital	16,100	-	16,100
Total comprehensive income	<hr/> -	<hr/> 196	<hr/> 196
<b>Balance at 31 December 2016</b>	<hr/> <hr/> 16,100	<hr/> <hr/> 196	<hr/> <hr/> 16,296

The notes on pages 13 to 20 form part of these financial statements

**Statement of Cash Flows**  
**for the Year Ended 31 December 2016**

		2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>	<b>Note</b>		
Cash generated from operations	15	<u>3,201</u>	<u>-</u>
Net cash generated from operating activities		<u>3,201</u>	<u>-</u>
<b>Cash flows from investing activities</b>		<u>-</u>	<u>-</u>
Net cash generated from investing activities		<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>		<u>-</u>	<u>-</u>
Net cash generated from financing activities		<u>-</u>	<u>-</u>
<b>Increase in cash and cash equivalents</b>		<u>3,201</u>	<u>-</u>
<b>Cash and cash equivalents at beginning of year</b>	<b>16</b>	<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at end of year</b>	<b>16</b>	<u><u>3,201</u></u>	<u><u>-</u></u>

The notes on pages 13 to 20 form part of these financial statements

Notes to the Financial Statements  
for the Year Ended 31 December 2016

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1. **STATUTORY INFORMATION**

Premier Mortgage Service Limited is a private company limited by shares. The Company is incorporated in Great Britain, registered in England and Wales, and domiciled in the United Kingdom. The Company's registered office is Pixham End, Dorking, Surrey, RH4 1QA.

2. **ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements have been prepared on a going concern basis and approved by the directors in accordance with the Companies Act 2006, International Financial Reporting Standards (IFRSs) as adopted by the EU, and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The financial statements have been prepared on the historical cost basis and have been prepared in pounds sterling.

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

**Going concern**

The directors believe that with the changes implemented as part of the strategic review of SBG the Company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Consequently, they continue to adopt the going concern basis of accounting in the preparation of the annual financial statements.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, amounts refunded, VAT and other sales related taxes. Revenue is recognised at the point at which the right to receive consideration becomes unconditional.

**Dividend income**

Dividend income from investments is recognised when the shareholder's rights to receive payments have been established.

**Expense recognition**

All expenses are recognised in the Statement of Profit or Loss as incurred.

**Intangible assets**

Intangible assets are recognised at cost and amortised over their useful economic life. The value of the PMS intangible asset recognised during the year was based on a valuation of the income streams acquired by an external independent specialist using a discounted future cash flow calculation as the basis.

The directors intend to amortise this intangible asset over its estimated useful economic life. Due to the acquisition completing immediately prior to the balance sheet no amortisation charge has been recognised in the current year and amortisation will commence from 1 January 2017.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016

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2. ACCOUNTING POLICIES - continued

**Current tax**

Taxation is based on the profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior years. 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 Statement of Profit or Loss for the year, except to the extent that it is attributable to a gain or loss recognised outside the Statement of Profit or Loss, in which case the current taxation is recognised in the Statement of Comprehensive Income, or equity, as applicable.

**Deferred tax**

Deferred tax is recognised on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statement. 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 it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is recognised in the Statement of Profit or Loss for the year except to the extent that it is attributable to a gain or loss recognised outside the Statement of Profit or Loss, in which case the deferred taxation is recognised in the Statement of Comprehensive Income, or equity, as applicable.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**Trade and other receivables**

Trade and other receivables do not carry any interest and are carried at their amortised cost, less appropriate allowances for estimated irrecoverable amounts.

**Trade payables and other payables**

Trade and other payables are not interest bearing and are stated at their amortised cost which is not materially different to cost and approximates to fair value.

**Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

The provision for clawback of indemnity commission represents the expected value of commission potentially reclaimable by the product providers in respect of policies cancelled during the indemnity period based on the past experience of such claims.

**International Financial Reporting Standards**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and early adoption is permitted. The Company has no transactions which would be affected by new currently effective requirements. The Company has not early adopted the following new standards in preparing these financial statements.

- IFRS 9 Financial Instruments - effective 1 January 2018 with early adoption permitted.
- IFRS 15 Revenue from Contracts with Customers - effective 1 January 2018 with early adoption permitted.



**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**2. ACCOUNTING POLICIES - continued**

**Critical accounting estimates**

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Critical accounting estimates include those used in the calculation of the commission clawback provision and the calculation of receivable bad debt provisions.

The commission clawback provision calculation uses internal management information on lapsed policies to estimate the level of potential indemnity commission clawback likely given the level of indemnity commission cash received at a given point in time.

The Company reviews its debtors to assess impairment at least on a quarterly basis, in determining whether an impairment loss should be recorded in the Statement of Profit or Loss. In undertaking this review, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from these debtors before the decrease can be identified. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtor.

**3. EMPLOYEES AND DIRECTORS**

All staff engaged in the trading activities of the Company are employed by Sesame Services Limited, the SBG service company. The costs associated with these staff members are recharged to the Company based on the proportion of time they spend working directly on the activities of the Company.

The costs recharged to the Company during the year were as follows:

	2016 £'000	2015 £'000
Wages and salaries	176	-
Social security costs	21	-
Other pension costs	8	-
	<u>205</u>	<u>-</u>

The directors holding office during the year were employed and remunerated by Sesame Services Limited with their emoluments then apportioned between certain SBG companies. This recharge of directors' emoluments is based on an estimate of the share of directors' services provided to each company.

Directors' emoluments recharged to the Company during the year were:

	2016 £'000	2015 £'000
Aggregate emoluments	4	-
Pension costs	-	-
Total remuneration	<u>4</u>	<u>-</u>

The number of directors accruing benefits under pension schemes during the year was:

	2016	2015
Money purchase pension scheme	<u>-</u>	<u>-</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016

3. **EMPLOYEES AND DIRECTORS - continued**

The emoluments of the highest paid director, attributable to the Company, were as follows:

	2016 £'000	2015 £'000
Aggregate emoluments	4	-
Other pension costs	-	-
	<u>4</u>	<u>-</u>

No SBG share options were offered or exercised during the year.

4. **PROFIT BEFORE INCOME TAX**

Auditors' remuneration for audit services of £11,300 excluding VAT (2015: £nil) has been borne by a fellow SBG subsidiary, Sesame Services Limited, and recharged to the Company. The Company was dormant in the prior year and incurred no audit fee for that year. There were no non-audit fees in either year.

5. **INCOME TAX**

**Analysis of tax expense**

	2016 £'000	2015 £'000
Current tax:		
Tax	49	-
Total tax expense in statement of profit or loss	<u>49</u>	<u>-</u>

**Factors affecting the tax expense**

The tax assessed for the year is equal to (2015: no tax expense) the standard rate of corporation tax in the UK.

	2016 £'000	2015 £'000
Profit before income tax	<u>245</u>	<u>-</u>
Profit before income tax multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	49	-
Tax expense	<u>49</u>	<u>-</u>

Finance (No 2) Act 2015 introduced legislation reducing the rate of corporation tax from 20% at 1 April 2016 to 19% from 1 April 2017. Finance Act 2016, which received Royal Assent on 15 September 2016, will reduce the corporation tax rate further to 17% from 1 April 2020.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016

## 6. INTANGIBLE ASSETS

	PMS intangible £'000
<b>COST</b>	
Additions	<u>16,100</u>
At 31 December 2016	<u>16,100</u>
<b>NET BOOK VALUE</b>	
At 31 December 2016	<u>16,100</u>

On 5 December 2016 the Company acquired the PMS business from Bankhall Support Services Limited for consideration of £16.1m. The consideration value was based on a valuation of the income streams acquired by an external independent specialist using a discounted future cash flow calculation as the basis. The consideration given comprised £16.1m of ordinary shares issued to Bankhall Support Services Limited on the acquisition date.

The value of the PMS business acquired has been recognised as an intangible asset and the directors intend to amortise this intangible asset over its estimated useful economic life. Due to the acquisition completing immediately prior to the balance sheet date no amortisation charge has been recognised in the current year and amortisation will commence from 1 January 2017.

## 7. TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000
Current:		
Trade receivables	126	-
Prepayments and accrued income	<u>21</u>	<u>-</u>
	<u>147</u>	<u>-</u>

Trade receivables are reported at the amounts at which they are expected to be received after allowing for bad debts, which are assessed individually. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The Company commenced trading on 5 December 2016 following the acquisition of the PMS mortgage club, Zenith and Market, and Paymentsshield businesses from Bankhall Support Services Limited. As at 31 December 2016 no trade receivables were past due and therefore no provision was required against receivable balances (2015: £nil).

## 8. CASH AND CASH EQUIVALENTS

	2016 £'000	2015 £'000
Bank current account	<u>3,201</u>	<u>-</u>

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016

## 9. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2016	2015
Number:	Class:		£'000	£'000
16,100,001 (2015 - 1)	Ordinary £1 share	£1	<u>16,100</u>	<u>-</u>

16,100,000 Ordinary £1 shares were issued at par during the year to the immediate parent company in consideration for the acquisition of the PMS mortgage club, Zenith and Market, and Paymentsshield businesses.

Ordinary share capital is classified as equity if the shares are non-redeemable by the shareholder and any dividends are discretionary and are recognised as distributions within equity.

## 10. RETAINED EARNINGS

	Retained earnings £'000
Profit for the year	<u>196</u>
At 31 December 2016	<u>196</u>

## 11. TRADE AND OTHER PAYABLES

	2016 £'000	2015 £'000
Current:		
Trade payables	1	-
Amounts owed to group undertakings	783	-
Social security and other taxes	1	-
Other payables	1,615	-
Accruals and deferred income	<u>26</u>	<u>-</u>
	<u>2,426</u>	<u>-</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016

12. PROVISIONS

A commission clawback provision is held in respect of indemnity commissions received in advance, which are expected to be reclaimed by Product Providers on policies that are cancelled within their indemnity period.

	Clawback provision £'000
Balance at 1 January 2016	-
Provision acquired	671
Charges to profit or loss	64
Utilisation	(58)
	<u>677</u>
At 31 December 2016	<u>677</u>

13. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Sesame Bankhall Group Limited, a company incorporated and domiciled in England and Wales.

The ultimate parent entity and controlling party is Aviva plc, a public limited Group incorporated and domiciled in England and Wales.

The smallest Group in which the results of the Company were consolidated for the year was that headed by Friends Life Holdings plc. Copies of Friends Life Holdings plc financial statements are available on application to the Group Company Secretary, Aviva plc, St Helens, 1 Undershaft, London, EC3P 3DQ, and on the Aviva plc website at [www.aviva.com](http://www.aviva.com).

14. RELATED PARTY DISCLOSURES

	2016 £'000	2015 £'000
Included within amounts owed to group undertakings are:		
Bankhall Support Services Limited	398	-
Sesame Services Limited	385	-
	<u>783</u>	<u>-</u>

On 5 December 2016 the Company acquired the PMS mortgage club, Zenith and Market, and Paymentsshield businesses from Bankhall Support Services Limited, a fellow SBG subsidiary, for consideration of £16.1m.

During the year there have been management charges, intercompany recharges, and intercompany account settlements between SBG companies. The purpose of the management and intercompany recharges is to recognise expenses in the correct statutory company. During the year Sesame Services Limited, the SBG service company, charged £385,000 (2015: £nil) of management charges to the Company. These management charges include overheads and staff costs incurred by Sesame Services Limited which relate to the trading activity of the Company.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016

15. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2016 £'000	2015 £'000
Profit before income tax	245	-
Provisions	<u>677</u>	<u>-</u>
	922	-
Increase in trade and other receivables	(147)	-
Increase in trade and other payables	<u>2,426</u>	<u>-</u>
<b>Cash generated from operations</b>	<u><u>3,201</u></u>	<u><u>-</u></u>

During the year a non-cash financing transaction occurred where consideration for shares issued of £16.1m in the year was received in the form of an intangible asset representing the brands in the underlying business.

16. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2016

	31/12/16 £'000	1/1/16 £'000
Cash and cash equivalents	<u><u>3,201</u></u>	<u><u>-</u></u>

Year ended 31 December 2015

	31/12/15 £'000	1/1/15 £'000
Cash and cash equivalents	<u><u>-</u></u>	<u><u>-</u></u>