

**Strategic Report, Report of the Directors and
Audited Financial Statements for the Year Ended 31 December 2014
for
Sesame Limited**

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for the Year Ended 31 December 2014**

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Sesame Limited

**Company Information
for the Year Ended 31 December 2014**

DIRECTORS:

J Cowan
D S Miller
N Criticos

SECRETARY:

Friends Life Secretarial Services Limited

REGISTERED OFFICE:

Pixham End
Dorking
Surrey
RH4 1QA

REGISTERED NUMBER:

02844161 (England and Wales)

INDEPENDENT AUDITORS:

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

**Strategic Report
for the Year Ended 31 December 2014**

The directors present their strategic report of Sesame Limited (the "Company") for the year ended 31 December 2014.

REVIEW OF BUSINESS

Turnover for the year was £173.8m (2013: £187.2m). The Company classifies the advisers into two main categories; those within firms who have regulated permissions to advise on Designated Investments ("DI"), and those within firms who only have regulated permissions to advise on Mortgages and General Insurance ("MGI"). During the year the number of DI advisers at the balance sheet date fell by 42.8% (2013: 2.2%) and the number of MGI advisers fell by 17.0% (2013: 4.5%).

On 29 October 2014 the FCA imposed a fine of £1.598m on the Company for breaches of Principle 8 and COBS 2.3.1R during the period 1 January 2012 to 31 January 2014. This action followed FCA publication of its finalised guidance on inducements for product providers and advisory firms on 16 January 2014. A provision had been recognised at 31 December 2013 for this fine, which was settled in full on 2 December 2014.

During the year the Company upheld 619 complaints (2013: 615) which was 23% of all new complaints received (2013: 19%). The overall uphold rate continues to remain at a low level because of the relatively large proportion of complaints generated by the speculative actions of claims management firms, who will often refer a complaint regardless of its individual merit. The improved systems and controls environment, delivered by the Company's compliance policy and investments in technology have contributed, alongside improved macroeconomic forecasts, to a 15% reduction in the volume of complaints received compared to 2013, and this flowed through to the closing number of cases which was 210 on 31 December 2014 (2013: 351).

The Company maintains a healthy financial surplus based on the minimum solvency requirements under the FCA's Prudential Rules. At 31 December 2014 the surplus was £6.5m (2013: £10.4m) on the most onerous test position.

PRINCIPAL RISKS AND UNCERTAINTIES

Regulatory risk is the major risk to the business. This includes issues such as fluctuations in the volume of complaints and other product mis-selling issues. The Company is also susceptible to any major downturn in stock market conditions and liquidity in the mortgage market, as this is likely to reduce a consumer's propensity to invest in stock markets or arrange new mortgages, and subsequently impact on Registered Individuals' productivity.

KEY PERFORMANCE INDICATORS ("KPIs")

A significant KPI for the Company to measure future business performance is the number of registered individuals (RIs), who are providing services to consumers and thus generating revenue for the Company, and their productivity. A continuous review of the financial position of the Company is performed to ensure that the Company complies with the capital adequacy requirements of the FCA. An important consideration for resourcing levels and cash flow management is the number of complaints being received and settled each month.

The directors draw attention to the following figures which are used to monitor business performance:

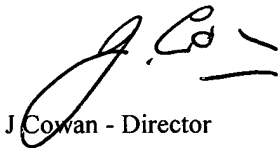
| | 2014 | 2013 |
|---|---------|---------|
| Turnover | £173.8m | £187.1m |
| Loss on ordinary activities before tax | £10.2m | £30.1m |
| Closing number of Designated Investment Advisers | 494 | 863 |
| Closing number of Mortgage and General Insurance Advisers | 1,086 | 1,308 |
| Average number of Designated Investment Advisors | 759 | 950 |
| Average number of Mortgage and General Insurance Advisors | 1,256 | 1,367 |

**Strategic Report
for the Year Ended 31 December 2014**

KEY PERFORMANCE INDICATORS ("KPIS") - continued

As with any regulated business operating in the intermediary sector management maintain and regularly review many compliance and risk generated performance indicators. Although individually none of these are key when reviewed collectively they are a KPI and give management reassurance of regulatory control and outcomes such as Treating Customers Fairly.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'J. Cowan', with a horizontal line underneath.

J Cowan - Director

14 September 2015

**Report of the Directors
for the Year Ended 31 December 2014**

The directors present their report with the financial statements of the Company for the period ended 31 December 2014.

During the period and until 10 April 2015 the Company was part of the Friends Life Group of companies, and references to the Group are to the Group of companies formerly headed by Friends Life Group Limited. Following the acquisition of the Friends Life Group by Aviva on 10 April 2015 the Company is now a subsidiary of the Aviva Group of companies headed by Aviva plc.

DIVIDENDS

No dividends will be distributed for the year ending 31 December 2014 (2013: £nil).

FUTURE DEVELOPMENTS

The Company has taken, and will continue to take, a proactive approach to tackling legacy issues. This responsible approach will deliver a positive outcome for both consumers and advisers and will continue to strengthen the trading base of the Company for future periods.

The Company continues to enhance its core oversight activities to reflect the new regulatory environment and the need for deeper evidence of controls and risk management. The Company is taking a deliberate and rigorous approach to adviser segmentation and recruitment. This will ensure that a high quality, healthy, long-term business with robust systems and controls that demonstrate high quality outcomes for consumers is maintained.

A strategic review of Sesame Bankhall Group, supported by the parent group Friends Life, commenced in 2013 with the aim of ensuring Sesame Bankhall Group is better placed to respond to future opportunities in a rapidly-changing financial services marketplace. On 31 March 2015 it was announced that due to the changing nature of the wealth advice market, and in direct response to the general sentiments of wealth advisers, the Company would no longer offer an appointed representative network option for wealth firms.

A further announcement in April 2015 confirmed that the Company would help to facilitate the transition of its population of wealth advisers to either an external network partner or to be directly authorised by the FCA with the support of the Sesame Bankhall Group service provider brand Bankhall.

DIRECTORS

The following directors have held office in the whole period from 1 January 2014 to the date of this report:

D S Miller
N Criticos
J Cowan

Changes in directors holding office in the period from 1 January 2014 to the date of this report are as follows:

G Higginson - resigned 7 January 2014
P Hooper - resigned 7 January 2014
J Newman - appointed 27 February 2014, resigned 30 June 2015

DIRECTORS AND OFFICERS - INDEMNITY AND INSURANCE

The Group 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 directors within the Group and were in force for the benefit of former directors of the Group during 2014. Copies are available for inspection at the Company's registered office.

**Report of the Directors
for the Year Ended 31 December 2014**

GOING CONCERN

On 17 June 2015 Aviva Life Holdings UK Limited provided a letter of support to Sesame Bankhall Group Limited (SBGL), the immediate parent company, indicating it would provide £25m of support to SBGL and its subsidiaries to pay any liability which SBGL or its subsidiaries believes it will be otherwise be unable to pay using its own cash or other assets. This support excludes certain restructuring related costs and expenses, should they be incurred by SBGL or its subsidiaries, and is limited to a period of 24 months from 17 June 2015.

In addition, on 18 June 2015 Friends Life FPL Limited provided a letter of support indicating it would provide £20m of support to SBGL to ensure it is at all times in a position to meet its financial obligations as they fall due. This support has specifically been made available to fund costs associated with past business reviews, the costs associated with any future restructuring of SBGL and its subsidiaries, and any other funding requirements arising from the solvency or liquidity needs of SBGL Company or its subsidiaries.

The Directors believe that with the changes implemented as part of the strategic review of Sesame Bankhall Group, and the ongoing financial support of the parent entities to the Company, 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Report of the Directors
for the Year Ended 31 December 2014**

AUDITORS

Following the change in control of the Friends Life Group of companies it is anticipated that, Ernst & Young LLP, ("EY LLP") will resign as the Company's auditors following the directors' approval of the report and accounts, confirming that there are no matters to be brought to the Company's attention under section 519 of the Companies Act 2006. PwC LLP will then be appointed by the directors as the Company's auditors.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'J. Cowan', with a horizontal line extending from the end of the signature.

J Cowan - Director

14 September 2015

We have audited the financial statements of Sesame Limited (the "Company") for the year ended 31 December 2014 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and notes 1 to 19. 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 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 five, 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 2014 and of its loss 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

14 September 2015

**Profit and Loss Account
for the Year Ended 31 December 2014**

| | Notes | 2014 £'000 | 2013 £'000 |
|--|-------|-----------------------|------------------------|
| TURNOVER | | 173,745 | 187,088 |
| Cost of sales | | <u>148,326</u> | <u>161,389</u> |
| GROSS PROFIT | | 25,419 | 25,699 |
| Administrative expenses | | <u>35,730</u> | <u>55,959</u> |
| OPERATING LOSS | 4 | (10,311) | (30,260) |
| Interest receivable and similar income | 5 | <u>159</u> | <u>224</u> |
| | | (10,152) | (30,036) |
| Interest payable and similar charges | 6 | <u>90</u> | <u>102</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (10,242) | (30,138) |
| Tax on loss on ordinary activities | 7 | <u>(2,196)</u> | <u>(6,066)</u> |
| LOSS FOR THE FINANCIAL YEAR | | <u><u>(8,046)</u></u> | <u><u>(24,072)</u></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 losses for the current year or previous year.

Balance Sheet
31 December 2014

| | Notes | 2014 £'000 | 2013 £'000 |
|--|-------|-----------------|-----------------|
| CURRENT ASSETS | | | |
| Debtors | 9 | 104,076 | 125,578 |
| Cash in hand | | <u>18,560</u> | <u>26,222</u> |
| | | 122,636 | 151,800 |
| CREDITORS | | | |
| Amounts falling due within one year | 10 | <u>28,361</u> | <u>34,849</u> |
| NET CURRENT ASSETS | | <u>94,275</u> | <u>116,951</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 94,275 | 116,951 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 11 | (25,000) | (25,000) |
| PROVISIONS FOR LIABILITIES | 12 | <u>(42,019)</u> | <u>(56,649)</u> |
| NET ASSETS | | <u>27,256</u> | <u>35,302</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 60,021 | 60,021 |
| Share premium | 14 | 3,251 | 3,251 |
| Profit and loss account | 14 | <u>(36,016)</u> | <u>(27,970)</u> |
| SHAREHOLDERS' FUNDS | 18 | <u>27,256</u> | <u>35,302</u> |

The financial statements were approved by the Board of Directors on 14 September 2015 and were signed on its behalf by:


J. Cowan - Director

The notes form part of these financial statements

**Cash Flow Statement
for the Year Ended 31 December 2014**

| | Notes | 2014 £'000 | 2013 £'000 |
|---|-------|----------------|---------------|
| Net cash (outflow)/inflow from operating activities | 1 | (7,731) | 826 |
| Returns on investments and servicing of finance | 2 | <u>69</u> | <u>122</u> |
| (Decrease)/increase in cash in the period | | <u>(7,662)</u> | <u>948</u> |
| <hr/> | | | |
| Reconciliation of net cash flow to movement in net funds | 3 | | |
| (Decrease)/increase in cash in the period | | <u>(7,662)</u> | <u>948</u> |
| Change in net funds resulting from cash flows | | <u>(7,662)</u> | <u>948</u> |
| Movement in net funds in the period | | <u>(7,662)</u> | <u>948</u> |
| Net funds at 1 January | | <u>26,222</u> | <u>25,274</u> |
| Net funds at 31 December | | <u>18,560</u> | <u>26,222</u> |

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 31 December 2014

1. RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

| | 2014 £'000 | 2013 £'000 |
|--|-----------------------|-------------------|
| Operating loss | (10,311) | (30,260) |
| (Decrease)/increase in provisions | (14,630) | 22,309 |
| Decrease in debtors | 23,698 | 2,918 |
| (Decrease)/increase in creditors | <u>(6,488)</u> | <u>5,859</u> |
| Net cash (outflow)/inflow from operating activities | <u>(7,731)</u> | <u>826</u> |

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

| | 2014 £'000 | 2013 £'000 |
|--|------------------|-------------------|
| Returns on investments and servicing of finance | | |
| Interest received | 159 | 224 |
| Finance costs | <u>(90)</u> | <u>(102)</u> |
| Net cash inflow for returns on investments and servicing of finance | <u>69</u> | <u>122</u> |

3. ANALYSIS OF CHANGES IN NET FUNDS

| | At 1/1/14 £'000 | Cash flow £'000 | At 31/12/14 £'000 |
|--------------------------|--------------------|--------------------|-------------------------|
| Cash at bank and in hand | <u>26,222</u> | <u>(7,662)</u> | <u>18,560</u> |

The notes form part of these financial statements

1. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

The 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 Report of the Directors.

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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The most significant use of estimates in these financial statements is in the calculation of complaints provisions. Further detail is provided in Note 12.

Accounting convention

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Turnover

Turnover, principally comprising commission income, represents the amounts (excluding value added tax) derived from products sold and accepted by providers of such products, from the Company's principal activity, together with other sundry income and relates to continuing operations in the United Kingdom. Commission turnover is recognised when a product is put on risk with Product Providers. A provision is made for the potential cancellation of policies where commission received is under indemnity terms, calculated based on historic experience.

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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2014**

1. ACCOUNTING POLICIES - continued

Provisions

The Company has recognised provisions for future costs that it expects to incur as a result of past transactions, actions or commitments that had taken place and been notified at the balance sheet date. These include provisions for commission income in respect of lapsed policies, complaints from customers, and regulatory fines which are discussed in Notes 12 and 16.

Joint ventures

The Company accounts for interests in joint ventures under the equity method. In accordance with this method, the value of the investment in joint ventures is brought into the Company's financial statements initially at cost, identifying any goodwill arising. The carrying amount of the investment is adjusted in each period by the Company's share of the results of its investee less any amortisation or write-off for goodwill, the Company's share of any relevant gains or losses, and any other changes in the Company's net assets including distributions, for example by dividend.

2. STAFF COSTS

The Company does not employ staff, therefore there were no payroll costs for the current year (2013: £nil).

All staff are employed and remunerated by Sesame Services Limited (a group company). The cost of these staff was recharged to the Company by Sesame Services Limited based on the proportion of time they spend working directly on the activities of the Company.

The costs recharged to the Company for staff, including directors, was as follows:

| | 2014 | 2013 |
|-----------------------|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 11,404 | 10,273 |
| Social security costs | 1,311 | 1,199 |
| Pension costs | 559 | 428 |
| | <u>13,273</u> | <u>11,900</u> |

3. DIRECTORS' EMOLUMENTS

The Directors holding office during the period were employed and remunerated by Sesame Services Limited with their emoluments then apportioned between certain Sesame Bankhall Group ("SBG") companies. This recharge of Directors' emoluments was based on an estimate of the share of directors' services provided to each company.

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

| | 2014 | 2013 |
|-------------------------|------------|------------|
| | £'000 | £'000 |
| Directors' remuneration | 581 | 894 |
| Pension costs | 3 | 49 |
| | <u>584</u> | <u>943</u> |

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

| | 2014 | 2013 |
|-------------------------------|----------|----------|
| Money purchase pension scheme | <u>2</u> | <u>5</u> |

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2014**

3. DIRECTORS' EMOLUMENTS - continued

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

| | 2014 | 2013 |
|-------------------------|------------|------------|
| | £'000 | £'000 |
| Director's remuneration | 305 | 231 |
| Pension costs | - | 17 |
| | <u>305</u> | <u>248</u> |

Emoluments comprise salaries, bonus and other employee benefits.

J A Newman was employed by, and received his emoluments from Friends Life Management Services Limited ("FLMS").

4. OPERATING LOSS

The operating loss for the year was £10,311,000 (2013: loss of £30,260,000)

Auditors' remuneration for audit services of £92,500 excluding VAT (2013: £112,000) has been borne by a fellow subsidiary and recharged to the Company as was the case in the prior period. There were no non-audit fees in either year.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2014 | 2013 |
|-----------------------------|------------|------------|
| | £'000 | £'000 |
| Interest receivable/payable | 64 | 109 |
| Other finance income | <u>95</u> | <u>115</u> |
| | <u>159</u> | <u>224</u> |

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2014 | 2013 |
|---------------------|-----------|------------|
| | £'000 | £'000 |
| Other finance costs | <u>90</u> | <u>102</u> |

Other finance costs represent the unwinding of discounting on a Professional Indemnity Insurance creditor and on the lapse provision.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

7. TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows:

| | 2014 £'000 | 2013 £'000 |
|------------------------------------|----------------|----------------|
| Current tax: | | |
| UK corporation tax | (2,199) | (6,438) |
| Prior period adjustment | <u>-</u> | <u>365</u> |
| Total current tax | (2,199) | (6,073) |
| Deferred tax | <u>3</u> | <u>7</u> |
| Tax on loss on ordinary activities | <u>(2,196)</u> | <u>(6,066)</u> |

Factors affecting the tax credit

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2014 £'000 | 2013 £'000 |
|---|-----------------|-----------------|
| Loss on ordinary activities before tax | <u>(10,242)</u> | <u>(30,138)</u> |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%) | (2,202) | (7,007) |
| Effects of: | | |
| Expenses not deductible for tax purposes | - | 372 |
| Capital allowances in excess of depreciation | (3) | - |
| Adjustments to tax charge in respect of previous periods | - | 365 |
| Transfer pricing adjustment | - | 201 |
| Capital allowances | - | (4) |
| Intercompany debt written off | <u>6</u> | <u>-</u> |
| Current tax credit | <u>(2,199)</u> | <u>(6,073)</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

8. **FIXED ASSET INVESTMENTS**

The Company's investments at the Balance Sheet date in the share capital of companies include the following:

Gateway Specialist Advice Services Limited

Nature of business: Pension and investment advice

| | % |
|------------------|---------|
| Class of shares: | holding |
| Ordinary | 100.00 |

The Company holds all of the Ordinary B shares in issue, being 50% of the total issued ordinary share capital.

In accordance with the accounting policy for joint ventures the Company has recognised its share of losses under joint venture arrangements. The Company's share of losses is restricted to its original investment in the joint venture. During prior periods £100,000 of losses were recognised, reducing the value of the Sesame Limited investment in joint ventures to £nil.

On 13 November 2014 the Company purchased the remaining 50% of the total issued ordinary share capital of Gateway Specialist Advice Services Limited. At this point Gateway Specialist Advice Services Limited became a wholly owned subsidiary of the Company.

On 19 January 2015 it was announced that Gateway Specialist Advice Services Limited, which at that date was a wholly owned subsidiary of the Company, was to cease trading. See Note 19 for further information.

9. **DEBTORS**

| | 2014 £'000 | 2013 £'000 |
|---|----------------|----------------|
| Amounts falling due within one year: | | |
| Trade receivables | 749 | 415 |
| Amounts owed by group undertakings | 62,233 | 75,633 |
| Other receivables | 22,258 | 31,485 |
| Corporation tax - group relief | 9,120 | 6,921 |
| Deferred tax asset | 14 | 17 |
| Prepayments and accrued income | <u>6,086</u> | <u>7,231</u> |
| | <u>100,460</u> | <u>121,702</u> |
| Amounts falling due after more than one year: | | |
| Other receivables | <u>3,616</u> | <u>3,876</u> |
| Aggregate amounts | <u>104,076</u> | <u>125,578</u> |

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Further information relating to amounts owed by group undertakings is detailed in the Related Parties Disclosures in Note 17.

Other receivables relate to amounts receivable from Registered Individuals in relation to indemnity clawbacks and complaints redress. Also included in other receivables due within one year are loans which have been made to member firms.

Other receivables are also identified as those members portions of lapse provisions which are receivable after more than one year.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2014 | 2013 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade payables | 459 | 708 |
| Amounts owed to group undertakings | 1,693 | 4,930 |
| Other payables | 6,074 | 3,765 |
| Accruals and deferred income | <u>20,135</u> | <u>25,446</u> |
| | <u>28,361</u> | <u>34,849</u> |

Amounts due to group undertakings are unsecured, interest free and repayable on demand. Further information relating to amounts owed to group undertakings is detailed in the Related Parties Disclosures in Note 17.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2014 | 2013 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Amounts owed to group undertakings | <u>25,000</u> | <u>25,000</u> |

The amounts owed to group undertakings falling outside one year relate to a subordinated loan arrangement which the Company entered into with Sesame Bankhall Group Limited, its immediate parent company. This £25,000,000 is not repayable on demand nor for a period of at least 12 months.

As part of the transaction an intercompany debtor for £25,000,000 was also created with Sesame Bankhall Group Limited. This amount is interest free and repayable on demand, and is shown within the amounts owed by group undertakings in Note 9.

Further information relating to amounts owed to group undertakings is detailed in the Related Parties Disclosures in Note 17.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

12. PROVISIONS FOR LIABILITIES

| | Lapse £'000 | Complaints £'000 | Regulatory £'000 | Total £'000 |
|------------------------------------|----------------|---------------------|---------------------|----------------|
| At 1 January 2014 | 14,177 | 40,874 | 1,598 | 56,649 |
| Charged to profit and loss account | 14,126 | 12,267 | - | 26,393 |
| Utilisation | (17,244) | (22,181) | (1,598) | (41,023) |
| At 31 December 2014 | <u>11,059</u> | <u>30,960</u> | <u>-</u> | <u>42,019</u> |

The provisions are disclosed gross of amounts recoverable from professional indemnity insurers and registered individuals. These amounts are shown in the table below and form part of debtors as detailed in Note 9.

| | | | | |
|---------------------|---------------|---------------|----------|---------------|
| At 1 January 2014 | <u>12,650</u> | <u>19,604</u> | <u>-</u> | <u>32,255</u> |
| At 31 December 2014 | <u>9,752</u> | <u>12,431</u> | <u>-</u> | <u>22,183</u> |

Lapse

A lapse 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. The lapse provision is mostly recoverable from Registered Individuals and is shown gross of the recoverable element.

Future costs have been discounted at an appropriate rate for the relevant appraisal being undertaken.

Complaints - Normal

In line with industry practice the Company provides for the costs associated with complaints which have been notified to the Company by the balance sheet date. The provision is based on the directors' best estimate of the costs associated with the complaint.

This provision includes amounts for the anticipated cost of reviewing the notified complaints and offering redress where appropriate. In addition, assets have been recognised for the estimated recoveries from professional indemnity insurance and the network members who gave the original advice. In establishing the year end provision, assumptions have been made regarding each of these based on recent actual experience. As a result, the actual cost, which includes the administrative cost of handling the complaints, could be significantly different to that for which provision has been made.

For cases where a large value settlement is expected, the complaint is taken out of the estimated provision and provided for specifically. Litigation is identified and provided for specifically. In all of these cases, an asset is recognised for estimated recoveries from professional indemnity insurance and network members who gave the original advice.

Once a complaint has been identified, there is a non-uniform period of time for investigation and client acceptance. Similarly, the time for processing and recovery of the associated asset depends on the complexity of the case. These factors affect the timing and uncertainty of transfer of economic benefit.

Complaints - Pension Transfer Review

The review of pension transfers forms part of the enforcement settlement reached between the Company and FCA in June 2013. The purpose of the review is to establish and correct any customer detriment which occurred during the period from 5 July 2010 to 21 September 2012.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2014**

The review commenced in June 2013 and is still ongoing at the approval date of these financial statements. Deloitte were initially engaged to conduct the review but responsibility was passed to The Consulting Consortium during 2014. Utilisation of the provision during the period relates entirely to review costs paid to these service providers.

The year end provision for redress is based on data gathered from a sample review of cases applied to the total estimated population of cases. As a result, the actual cost could be significantly different to that for which provision has been made.

Complaints - Past Business Review

The Company pro-actively reviews advice offered by its members in line with its risk controls. These reviews take place when a situation is identified in which a wider review of an adviser's cases or of a particular product type would appear to be appropriate. In establishing the year end provision, a sample of the population of affected cases is reviewed, and the provision based on applying the costs associated with reviewing and redressing the sample to the whole population of cases. As a result, the actual cost could be significantly different to that for which provision has currently been made.

Regulatory Fine

On 29 October 2014 the FCA imposed a fine of £1.598m on Sesame Limited for breaches of Principle 8 and COBS 2.3.1R during the period 1 January 2012 to 31 January 2014. This action followed FCA publication of its finalised guidance on inducements for product providers and advisory firms on 16 January 2014. A provision had been recognised at 31 December 2013 for this fine, which was settled in full on 2 December 2014.

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2014 £'000 | 2013 £'000 |
|------------|-----------------|-------------------|---------------|---------------|
| 60,021,154 | Ordinary shares | £1 | <u>60,021</u> | <u>60,021</u> |

14. RESERVES

| | Profit and loss account £'000 | Share premium £'000 | Totals £'000 |
|----------------------|--|---------------------------|-----------------|
| At 1 January 2014 | (27,970) | 3,251 | (24,719) |
| Deficit for the year | <u>(8,046)</u> | <u>—</u> | <u>(8,046)</u> |
| At 31 December 2014 | <u>(36,016)</u> | <u>3,251</u> | <u>(32,765)</u> |

15. ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking and controlling party is Aviva plc, a company incorporated in Great Britain and registered in England and Wales.

The smallest group in which the results of the Company were consolidated for the period was 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.

16. CONTINGENT LIABILITIES

The principal activity of the Company is that of a supplier of intermediary services to consumers and product providers through operating a network of Registered Individuals within Appointed Representatives Firms throughout the United Kingdom. The Company is authorised and regulated by the FCA and subject to the rules and principles of business, set by the FCA, under legislation. The Company's compliance with these regulations and the effectiveness of its systems and controls is subject to a standard and expected process of on-going review with appraisal by the Directors, parent company, and its audit function. The Company provides for the expected costs arising from complaints received from consumers, against the advice provided by its Registered Individuals and any anticipated costs relating to any known or specific regulatory reviews or thematic activity. However, it is recognised that there is considerable uncertainty surrounding both the number of complaints that may be received and the associated costs for dealing with redress and complaint administration activities.

In June 2013, the Company reached a settlement with the FCA, following the FCA's investigation into the Company's compliance with Principle 9 (Customers: relationships of trust) for the period 26 July 2005 and 8 June 2009 and was based on the sale of Keydata Products, and Principle 3 (Management and Control) between 5 July 2010 and 21 September 2012 based on risk management systems and controls for designated investment business. This settlement requires the Company to conduct a past business review of pension transfers between 5 July 2010 and 21 September 2012 to determine any client detriment. A provision has been recognised for both the cost of this review and the redress payable to consumers. The provision for redress is based on data gathered from a sample review of cases applied to the total estimated population of cases. As a result, the actual cost could be significantly different to that for which provision has been made. Further information on the FCA settlement can be found in Note 12.

17. RELATED PARTY DISCLOSURES

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Included within amounts owed from group undertakings are: | | |
| Sesame Bankhall Group Limited | 62,190 | 75,190 |
| DBS Management Limited | 43 | 43 |
| The Financial Adviser School Limited | - | 400 |
| | <u>62,233</u> | <u>75,633</u> |
| Included within amounts due to group undertakings are: | | |
| Bankhall PMS Limited | - | 34 |
| Sesame Services Limited | <u>1,693</u> | <u>4,896</u> |
| | 1,693 | 4,930 |
| Included within amounts due to group undertakings falling due after more than one year: | | |
| Sesame Bankhall Group Limited | <u>25,000</u> | <u>25,000</u> |
| | <u>26,893</u> | <u>29,930</u> |

During the year there have been management charges, intercompany recharges, and intercompany account movements between Sesame Bankhall Group companies. The purpose of the management and intercompany recharges is to recognise expenses in the correct statutory company. The purpose of the intercompany bank transfers is to ensure adequate capital levels are maintained across group entities. These transactions were mainly between Sesame Bankhall Group Limited, Sesame Services Limited, Bankhall PMS Limited and the Company.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2014 £'000 | 2013 £'000 |
|---|----------------|-----------------|
| Loss for the financial year | (8,046) | (24,072) |
| Net reduction of shareholders' funds | (8,046) | (24,072) |
| Opening shareholders' funds | 35,302 | 59,374 |
| Closing shareholders' funds | 27,256 | 35,302 |

19. NON-ADJUSTING POST BALANCE SHEET EVENT

Aviva acquisition

On 19 January 2015, Friends Life Group Limited ("FLGL"), the ultimate parent company of the Company at that time, published a Scheme of Arrangement (the "Scheme") document in relation to the proposed acquisition by Aviva plc of the entire ordinary share capital of FLGL by way of a Scheme of Arrangement in accordance with Guernsey company law.

The acquisition received the approval of FLGL and Aviva's shareholders, and of the Guernsey Court. The Scheme became effective on 10 April 2015 and at that point the Company became part of the Aviva Group, with FLGL becoming a wholly-owned subsidiary of Aviva Group Holdings Limited.

Sesame Bankhall Group strategic review

A strategic review of SBG, supported by the parent group Friends Life, commenced in 2013 with the aim of ensuring SBG is better placed to respond to future opportunities in a rapidly-changing financial services marketplace. On 31 March 2015 it was announced that due to the changing nature of the wealth advice market, and in direct response to the general sentiments of wealth advisers, Sesame Limited would no longer offer an appointed representative network option for wealth firms.

A further announcement in April 2015 confirmed that Sesame Limited would help to facilitate the transition of its population of wealth advisers to either an external network partner or to be directly authorised by the FCA with the support of the SBG service provider brand Bankhall.

Gateway Specialist Advice Services Limited

On 19 January 2015 it was announced that Gateway Specialist Advice Services Limited, which at that date was a wholly owned subsidiary of the Company, was to cease trading. Following the announcement the business stopped accepting new business referrals and an orderly wind down of its operations commenced. This wind down was completed on 30 April 2015.