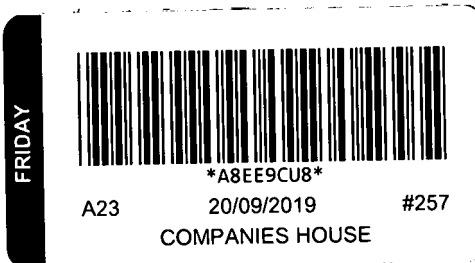


**Strategic Report, Report of the Directors and
Audited Financial Statements for the Year Ended 31 December 2018
for
Sesame Limited**



**Contents of the Financial Statements
for the Year Ended 31 December 2018**

	Page
Company Information	1
Strategic Report	2
Report of the Directors	4
Independent Auditors' Report	7
Income Statement	10
Statement of Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14

DIRECTORS:

C Binmore
J Cowan
N Criticos
D S Miller
C A Williams

SECRETARY:

Aviva Company Secretarial Services Limited

REGISTERED OFFICE:

Pixham End
Dorking
Surrey
RH4 1QA

REGISTERED NUMBER:

02844161 (England and Wales)

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP
No 1 Spinningfields
Hardman Square
Manchester
M3 3EB

**Strategic Report
for the Year Ended 31 December 2018**

The directors present their strategic report of Sesame Limited (the "Company") for the year ended 31 December 2018.

REVIEW OF BUSINESS

The Company trades as a supplier of intermediary services to consumers and product providers through operating a network of Registered Individuals ("RIs") within Appointed Representative ("AR") Firms throughout the United Kingdom.

Turnover for the year was £78.0m (2017: £81.5m) with a loss before taxation of £6.5m (2017: £10.6m). 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 years.

A key function of the business is the processing of complaints received. During the year the Company upheld 290 complaints (2017: 337) which was 23.1% of all new complaints received (2017: 23.2%). A further 252 complaints were upheld after being referred to FOS (2017: 262). 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 to a 13.5% reduction in the volume of new complaints received compared to the prior year (2017: 7.3% reduction). The closing number of cases at 31 December 2018 of 100 shows a reduction against the prior year (2017: 148) however this figure fluctuates depending on the timing and mix of new complaints received.

During the year the company issued £6.0m (2017: nil) of Ordinary £1 shares at par to the immediate parent company Sesame Bankhall Group Limited.

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 economic downturn and poor liquidity in the mortgage market, as this is likely to reduce a consumer's propensity to arrange new mortgages and subsequently impact on Registered Individuals' productivity.

KEY PERFORMANCE INDICATORS

A significant key performance indicator for the Company to measure future business performance is the number of RIs, who are providing services to consumers and thus generating income 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:

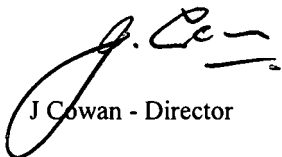
	2018	2017
Turnover	£78.0m	£81.5m
Operating loss	(£6.6m)	(£10.6m)
Loss before taxation	(£6.5m)	(£10.6m)
Net assets	£7.4m	£7.4m
Closing number of Mortgage and General Insurance Advisers	882	849
Average number of Mortgage and General Insurance Advisors	865	858
Complaints upheld	290	337

**Strategic Report
for the Year Ended 31 December 2018**

KEY PERFORMANCE INDICATORS - 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 give management reassurance of regulatory control and outcomes such as Treating Customers Fairly.

ON BEHALF OF THE BOARD:



J Cowan - Director

25 July 2019

**Report of the Directors
for the Year Ended 31 December 2018**

The directors present their report with the audited financial statements of the Company for the year ended 31 December 2018.

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.

DIVIDENDS

No dividends will be distributed for the year ending 31 December 2018 (2017: £nil).

FUTURE DEVELOPMENTS

The Company continues to enhance its core oversight activities to reflect the existing 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.

DIRECTORS

The following directors have held office in the whole period from 1 January 2018 to the date of this report:

J Cowan
N Criticos
D S Miller

Changes in directors holding office in the period from 1 January 2018 to the date of this report are as follows:

C Binmore - appointed 25 September 2018
C A Williams - appointed 17 May 2019

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.

GOING CONCERN

The Company has a net asset position and a cash surplus however it is likely to incur future trading losses associated with the costs of addressing legacy issues. The directors of the parent group, Sesame Bankhall Group ("SBG"), manage liquidity across the group as a whole and therefore when reviewing the position of any single entity liquidity should also be considered on a group basis. Funds to support the Company in future periods will be made available by the parent company, Sesame Bankhall Group Limited, should they be required. During 2018, 6,000,000 Ordinary £1 shares were issued at par to the parent company and were fully paid for with cash to support the Company.

The directors of the parent company, Sesame Bankhall Group Limited, have formally confirmed that it will continue to support the operations of the Company, as a member of the Sesame Bankhall group of companies, for a period of at least 12 months from the approval of date of the audited financial statements of the Company for the year ended 31 December 2018.

The directors believe that in the circumstances summarised above 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
for the Year Ended 31 December 2018**

FINANCIAL RISK MANAGEMENT POLICY

The directors are responsible for the financial risk management process and for the review, challenge and approval of its capital adequacy. Suitable policies and procedures have been adopted by the Company in order to ensure an appropriate level of risk management is directed at the relevant elements of the business.

Credit risk

The Company does not act as a lender however it is exposed to the risk of bad debt arising from complaints and clawbacks relating to appointed representatives settled by the Company. Debt levels are monitored on a continual basis by management to enable effective management of appointed representative debt levels.

Market risk

The Company is exposed to any major economic downturn which causes poor liquidity in the mortgage and general insurance markets as this is likely to negatively affect the profitability of network ARs and in turn the profitability of the Company. 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 market 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 minimal exposure to liquidity risk.

CAPITAL MANAGEMENT

During the year the Company reduced its regulatory permissions following the closure of the DI Network in the preceding year. It is now subject to the capital adequacy requirements prescribed by the FCA prudential source book for Mortgage and Home Finance Firms and Insurance Intermediaries (MIPRU). The directors regularly monitor capital, with reference to these regulatory requirements, as part of well-established reporting processes. The Company had a surplus on the most onerous test requirement of £29.1m at 31 December 2018 (2017: £30.6m).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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 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.

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.

**Report of the Directors
for the Year Ended 31 December 2018**

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

25 July 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Sesame Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Report of the Directors and Audited Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the income statement, the statement of other comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Reporting on other information

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.

H Varley

Heather Varley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
25 July 2019

**Income Statement
for the Year Ended 31 December 2018**

	Note	2018 £'000	2017 £'000
TURNOVER	3	78,049	81,549
Cost of sales		<u>(68,604)</u>	<u>(68,361)</u>
GROSS PROFIT		9,445	13,188
Administrative expenses		<u>(16,051)</u>	<u>(23,770)</u>
OPERATING LOSS		(6,606)	(10,582)
Interest receivable and similar income	5	65	79
Interest payable and similar expenses	6	<u>-</u>	<u>(50)</u>
LOSS BEFORE TAXATION	7	(6,541)	(10,553)
Tax on loss	8	<u>1,243</u>	<u>2,032</u>
LOSS FOR THE FINANCIAL YEAR		<u><u>(5,298)</u></u>	<u><u>(8,521)</u></u>

The notes on pages 14 to 27 form part of these financial statements

**Statement of Comprehensive Income
for the Year Ended 31 December 2018**

	2018 £'000	2017 £'000
LOSS FOR THE FINANCIAL YEAR	(5,298)	(8,521)
OTHER COMPREHENSIVE INCOME	—	—
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(5,298)</u>	<u>(8,521)</u>

The notes on pages 14 to 27 form part of these financial statements

Balance Sheet
as at 31 December 2018

	Note	2018 £'000	2017 £'000
CURRENT ASSETS			
Debtors	10	43,052	51,175
Cash at bank and in hand		<u>22,159</u>	<u>17,998</u>
		65,211	69,173
CREDITORS			
Amounts falling due within one year	11	<u>(27,129)</u>	<u>(17,881)</u>
NET CURRENT ASSETS		<u>38,082</u>	<u>51,292</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		38,082	51,292
CREDITORS			
Amounts falling due after more than one year	12	(25,000)	(25,000)
PROVISIONS FOR LIABILITIES	13	<u>(5,649)</u>	<u>(18,874)</u>
NET ASSETS		<u>7,433</u>	<u>7,418</u>
CAPITAL AND RESERVES			
Called up share capital	14	76,021	70,021
Share premium account	15	3,251	3,251
Accumulated losses	15	<u>(71,839)</u>	<u>(65,854)</u>
TOTAL SHAREHOLDERS' FUNDS	19	<u>7,433</u>	<u>7,418</u>

The financial statements were approved by the Board of Directors on 25 July 2019 and were signed on its behalf by:


J Cowan - Director

**Statement of Changes in Equity
for the Year Ended 31 December 2018**

	Called up share capital £'000	Accumulated losses £'000	Share premium account £'000	Total equity £'000
Balance at 1 January 2017	70,021	(57,333)	3,251	15,939
Changes in equity				
Loss for the year and total comprehensive loss	-	(8,521)	-	(8,521)
Balance at 31 December 2017	<u>70,021</u>	<u>(65,854)</u>	<u>3,251</u>	<u>7,418</u>
Balance at 1 January 2018	70,021	(65,854)	3,251	7,418
Changes in equity				
Adjustment to 1 January 2018 reserves in relation to implementation of IFRS 15	-	(687)	-	(687)
Balance at 1 January 2018 under IFRS 15	<u>70,021</u>	<u>(66,541)</u>	<u>3,251</u>	<u>6,731</u>
Changes in equity				
Issue of share capital	6,000	-	-	6,000
Loss for the year and total comprehensive loss	-	(5,298)	-	(5,298)
Balance at 31 December 2018	<u>76,021</u>	<u>(71,839)</u>	<u>3,251</u>	<u>7,433</u>

The notes on pages 14 to 27 form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES

Reporting entity

Sesame 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.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

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

The Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2018:

- IFRS 9, Financial Instruments - IFRS 9 became effective for the Company from 1 January 2018 as it was not eligible to apply the deferral option available to insurers. The adoption of IFRS 9 has not had a significant impact on the Company's financial statements.
- IFRS 15, Revenue from Contracts with Customers - IFRS 15 replaces IAS 18 Revenue and became effective for the Company from 1 January 2018. The Company has applied the modified retrospective approach which applies to contracts initiated after the effective date and contracts that have remaining obligations as of the effective date. The Company receives variable consideration, in the form of commission income received on an indemnity basis, for which a commission clawback provision was previously held under IAS 37. With the application of IFRS 15 the Company de-recognised the commission clawback provision previously held and recognised an amount within deferred income representing the value of variable consideration received which could not be considered to be highly probable to not be subject to reversal in future periods. At the balance sheet date the value of this deferred income, which would previously have been accounted for within the IAS 37 commission clawback provision, was £13.913m (£6.134m net of recoveries relating to financial intermediary firms). See Note 3 for further information on the financial impact of the application of IFRS 15.

1. **ACCOUNTING POLICIES**

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company

The following new standards relevant to the Company have been issued, are not yet effective, and are not expected to have a significant impact on the Company's financial statements:

- IFRS 16, Leases - IFRS 16 will replace IAS 17 Leases. This standard is effective for annual reporting periods beginning on or after 1 January 2019 and has been endorsed by the EU.

Exemption from preparing consolidated financial statements

The financial statements contain information about Sesame Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it, and its subsidiary undertakings, are included by full consolidation in the consolidated financial statements of its ultimate parent, Aviva plc.

Going concern

The Company has a net asset position and a cash surplus however it is likely to incur future trading losses associated with the costs of addressing legacy issues. The directors of the parent group, Sesame Bankhall Group ("SBG"), manage liquidity across the group as a whole and therefore when reviewing the position of any single entity liquidity should also be considered on a group basis. Funds to support the Company in future periods will be made available by the parent company, Sesame Bankhall Group Limited, should they be required. During 2018, 6,000,000 Ordinary £1 shares were issued at par to the parent company and were fully paid for with cash to support the Company.

The directors of the parent company, Sesame Bankhall Group Limited, have formally confirmed that it will continue to support the operations of the Company, as a member of the Sesame Bankhall group of companies, for a period of at least 12 months from the approval of date of the audited financial statements of the Company for the year ended 31 December 2018.

The directors believe that in the circumstances summarised above 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.

Turnover

Turnover, principally comprising commission income, represents amounts (excluding value added tax) derived from financial 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. Variable consideration, such as performance fees and commission subject to clawback arrangements, is only recorded as revenue to the extent it is highly probable that it will not be subject to significant reversal. An income accrual is recognised for commission relating to on risk products which has not yet been received.

Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

1. ACCOUNTING POLICIES – continued

Income taxes - continued

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. Where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available. Deferred tax is provided on any temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred taxes are not provided in respect of any temporary differences arising from the initial recognition of goodwill, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively. Deferred tax related to any fair value re-measurement of available for sale investments, owner-occupied properties, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability.

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 complaints from customers which are discussed in Notes 13 and 17.

In the prior year a provision for clawback of indemnity commission was held representing 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.

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, an asset for this reimbursement is only recognised when it is virtually certain that reimbursement will be received.

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.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 deferred income relating to variable consideration and complaints provisions required at the balance sheet date.

The deferred income calculation relating to variable consideration received 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 complaints provisioning process uses internal management information on key metrics such as complaint uphold rates and average redress paid on previous complaints in order to estimate the future cost of settling complaints notified at the balance sheet date.

3. **TURNOVER****Revenue from contracts with customers**

IFRS 15, Revenue from Contracts with Customers became effective for the Company from 1 January 2018. The Company receives variable consideration, in the form of commission income received on an indemnity basis, for which a commission clawback provision was previously held under IAS 37. With the application of IFRS 15 the Company de-recognised the commission clawback provision previously held and recognised an amount within deferred income representing the value of variable consideration received which could not be considered to be highly probable to not be subject to reversal in future periods.

The following tables summarize the impact of adopting IFRS 15 on the Company's financial statements for the year ended 31 December 2018.

Opening Balance Sheet 1 January 2018

	Balance at 31 December 2017 £'000	Adjustments due to IFRS 15 £'000	Balance at 1 January 2018 £'000
CURRENT ASSETS			
Debtors	51,175	(7,892)	43,283
Cash at bank and in hand	17,998	-	17,998
	69,173	(7,892)	61,281
CREDITORS			
Amounts falling due within one year	(17,881)	(4,789)	(22,670)
NET CURRENT ASSETS	51,292	(12,681)	38,611
CREDITORS			
Amounts falling due after more than one year	(25,000)	-	(25,000)
PROVISIONS FOR LIABILITIES	(18,874)	11,994	(6,880)
NET ASSETS	7,418	(687)	6,731
CAPITAL AND RESERVES			
Called up share capital	70,021	-	70,021
Share premium account	3,251	-	3,251
Accumulated losses	(65,854)	(687)	(66,541)
TOTAL SHAREHOLDERS' FUNDS	7,418	(687)	6,731

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

3. TURNOVER - continued

Income Statement for the year ended 31 December 2018

	2018 as reported £'000	Adjustments due to IFRS 15 £'000	Result without adoption of IFRS 15 £'000
TURNOVER	78,049	1,318	79,367
Cost of sales	(68,604)	-	(68,604)
GROSS PROFIT	9,445	1,318	10,763
Administrative expenses	(16,051)	-	(16,051)
OPERATING LOSS	(6,606)	1,318	(5,288)
Interest receivable and similar income	65	-	65
LOSS BEFORE TAXATION	(6,541)	1,318	(5,223)
Tax on loss	1,404	(250)	1,154
LOSS FOR THE FINANCIAL YEAR	(5,137)	1,068	(4,069)

Closing Balance Sheet at 31 December 2018

	2018 as reported £'000	Adjustments due to IFRS 15 £'000	Balances without adoption of IFRS 15 £'000
CURRENT ASSETS			
Debtors	43,052	7,780	50,832
Cash at bank and in hand	22,159	-	22,159
	65,211	7,780	72,991
CREDITORS			
Amounts falling due within one year	(27,129)	5,722	(21,407)
NET CURRENT ASSETS	38,082	13,502	51,584
CREDITORS			
Amounts falling due after more than one year	(25,000)	-	(25,000)
PROVISIONS FOR LIABILITIES	(5,649)	(11,747)	(17,396)
NET ASSETS	7,433	1,755	9,188
CAPITAL AND RESERVES			
Called up share capital	76,021	-	76,021
Share premium account	3,251	-	3,251
Accumulated losses	(71,839)	1,755	(70,084)
TOTAL SHAREHOLDERS' FUNDS	7,433	1,755	9,188

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

4. EMPLOYEES AND DIRECTORS

The Company has no employees and therefore there were no staff costs for the year ended 31 December 2018 (2017: £nil).

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:

	2018 £'000	2017 £'000
Wages and salaries	6,005	6,760
Social security costs	811	764
Other pension costs	<u>310</u>	<u>346</u>
	<u>7,126</u>	<u>7,870</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 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:

	2018 £'000	2017 £'000
Aggregate emoluments	<u>249</u>	<u>349</u>
Total emoluments	<u>249</u>	<u>349</u>

No pension scheme contributions were made for directors during the current or prior year.

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

	2018 £'000	2017 £'000
Aggregate emoluments	<u>187</u>	<u>257</u>
	<u>187</u>	<u>257</u>

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

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £'000	2017 £'000
Interest receivable	65	20
Other finance income	<u>-</u>	<u>59</u>
	<u>65</u>	<u>79</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £'000	2017 £'000
Other finance costs	<u>-</u>	<u>50</u>

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

7. LOSS BEFORE TAXATION

Auditors' remuneration for audit services of £95,500 excluding VAT (2017: £87,650) has been borne by a fellow SBG subsidiary and recharged to the Company as was the case in the prior year. There were no non-audit fees in either year.

8. TAX ON LOSS

Analysis of tax income

	2018 £'000	2017 £'000
Current tax:		
Tax	(1,244)	(2,033)
Deferred tax	<u>1</u>	<u>1</u>
Total tax credit in income statement	<u>(1,243)</u>	<u>(2,032)</u>

Factors affecting the tax expense

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £'000	2017 £'000
Loss before taxation	<u>(6,541)</u>	<u>(10,553)</u>
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(1,243)	(2,031)
Effects of:		
Adjustment to tax charge in respect of prior periods	-	(1)
Total tax credit	<u>(1,243)</u>	<u>(2,032)</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

8. TAX ON LOSS - continued

Finance Act 2016, which received Royal Assent on 15 September 2016, will reduce the corporation tax rate to 17% from 1 April 2020.

Deferred tax arose from decelerated capital allowances. The Company is expected to trade profitably in future periods so the deferred tax asset has been recognised in full.

	2018 £'000	2017 £'000
At 1 January	7	8
Deferred tax charge in income statement	(1)	(1)
At 31 December	<u>6</u>	<u>7</u>

9. INVESTMENTS

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

Gateway Specialist Advice Services Limited

Registered office: Pixham End, Dorking, Surrey, RH4 1QA

Nature of business: Non Trading

	% holding
Class of shares:	
Ordinary	100.00

Sesame Regulatory Services Limited

Registered office: Pixham End, Dorking, Surrey, RH4 1QA

Nature of business: Dormant

	% holding
Class of shares:	
Ordinary	100.00

Wealth Limited

Registered office: Pixham End, Dorking, Surrey, RH4 1QA

Nature of business: Dormant

	% holding
Class of shares:	
Ordinary	100.00

10. DEBTORS

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade receivables	2	33
Amounts owed by group undertakings	35,890	35,890
Other receivables	1,390	6,182
Corporation tax - group relief	2,467	2,653
Deferred tax asset	5	7
Prepayments and accrued income	<u>3,298</u>	<u>3,641</u>
	<u>43,052</u>	<u>48,406</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

10. DEBTORS - continued

	2018 £'000	2017 £'000
Amounts falling due after more than one year:		
Other receivables	-	2,769
Aggregate amounts	43,052	51,175

Trade receivables are reported at the amounts at which they are expected to be received after allowing for bad debts, which are assessed individually. Impairment of trade receivables is reported as an expense. Trade receivables are stated after provisions for impairment of £11,715,000 (2017 £11,659,000).

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 Party Disclosures in Note 18.

Other receivables relate to amounts receivable from registered individuals in relation to indemnity clawbacks and amounts receivable from registered individuals and professional indemnity insurers relating to complaints redress. Also included in other receivables due within one year are loans which have been made to appointed representatives of the Company. Other receivables are stated after provisions for impairment of £3,381,000 (2017: £3,712,000).

The carrying amount of trade and other debtors is equivalent to its fair value.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade payables	274	8
Amounts owed to group undertakings	3,770	1,402
Other payables	16	102
Accruals and deferred income	23,069	16,369
	27,129	17,881

Included within accruals and deferred income is a deferred income balance of £6.134m (2017: £nil) recognised under IFRS 15 relating to indemnity commission received on an indemnity basis which is likely to be clawed back in future periods.

Amounts owed 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 Party Disclosures in Note 18.

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

	2018 £'000	2017 £'000
Amounts owed to group undertakings	25,000	25,000

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - continued

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, in a prior year. This £25,000,000 is not repayable on demand nor for a period of at least 12 months.

As part of the subordinated loan arrangement 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 10.

Further information relating to amounts owed to group undertakings is detailed in the Related Party Disclosures in Note 18.

13. PROVISIONS FOR LIABILITIES

	Clawback £'000	Complaints £'000	Other £'000	Total £'000
At 1 January 2018	9,469	7,002	2,403	18,874
Charged to income statement	-	5,958	(2,347)	3,611
Utilisation	-	(7,367)	-	(7,367)
Reclassification	(9,469)	-	-	(9,469)
At 31 December 2018	-	5,593	56	5,649

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 Other Receivables disclosed in Note 10.

	Clawback £'000	Complaints £'000	Other £'000	Total £'000
At 1 January 2018	8,053	3,447	-	11,500
At 31 December 2018	-	2,798	-	2,798

Commission clawback

A commission clawback provision was previously held in respect of indemnity commission income received in advance which was expected to be reclaimed by Product Providers on policies cancelled within their indemnity period.

On 1 January 2018 the Company adopted IFRS 15, Revenue from Contracts with Customers, under which commission received on an indemnity basis meets the definition of variable consideration. At this point, the Company de-recognised the commission clawback provision and recognised a balance within deferred income representing the value of variable consideration received which is likely to be clawed back in future periods.

13. PROVISIONS FOR LIABILITIES - continued

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 - 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.

The past business review provisioning process uses internal management information on key metrics such as complaint uphold rate and average redress paid on previous reviews in order to estimate the future cost of settling complaints notified at the balance sheet date. The year-end past business review provision largely relates to one open past business review.

Other

Other provisions include specific amounts set aside for future costs which the Company was committed to incurring at the balance sheet date as a result of additional regulatory levies received and clawbacks related to specific non-advised protection firms which have left the network.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2018	2017
Number:	Class:		£'000	£'000
76,021,154 (2017: 70,021,154)	Ordinary	£1	<u>76,021</u>	<u>70,021</u>

6,000,000 Ordinary £1 shares were issued at par and fully paid for cash during the year.

15. RESERVES

	Accumulated losses £'000	Share premium account £'000	Totals £'000
At 1 January 2018	(65,854)	3,251	(62,603)
Loss for the financial year	(5,298)	-	(5,298)
IFRS 15 opening reserves adjustment	<u>(687)</u>	<u>-</u>	<u>(687)</u>
At 31 December 2018	<u>(71,839)</u>	<u>3,251</u>	<u>(68,588)</u>

16. 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 year was that headed by Aviva plc. Copies of Aviva 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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2018**

17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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 the normal course of business certain receivable balances arise which are contingent on the outcome of certain events. Management expect recovery of these receivables is probable however these assets have not been recognised in the financial statements as recovery is not virtually certain.

18. RELATED PARTY DISCLOSURES

	2018 £'000	2017 £'000
Included within amounts owed by group undertakings are:		
Sesame Bankhall Group Limited	<u>35,890</u>	<u>35,890</u>
	<u>35,890</u>	<u>35,890</u>
Included within amounts owed to group undertakings are:		
Sesame Services Limited	<u>3,770</u>	<u>1,402</u>
	3,770	1,402
Included within amounts owed to group undertakings falling due after more than one year:		
Sesame Bankhall Group Limited	<u>25,000</u>	<u>25,000</u>
	<u>28,770</u>	<u>26,402</u>

During the year there have been management charges, intercompany recharges, and intercompany settlements between SBG companies. The purpose of the management and intercompany recharges is to recognize expenses in the correct statutory company. These transactions were mainly between Sesame Bankhall Group Limited, Sesame Services Limited, Bankhall Support Services Limited, Premier Mortgage Service Limited, and the Company.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2018	2017
	£'000	£'000
Loss for the financial year	(5,298)	(8,521)
IFRS 15 opening reserves adjustment	(687)	-
New share capital subscribed	<u>6,000</u>	<u>-</u>
Net addition/(reduction) to shareholders' funds	15	(8,521)
Opening shareholders' funds	<u>7,418</u>	<u>15,939</u>
Closing shareholders' funds	<u>7,433</u>	<u>7,418</u>

20. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Company are listed below. Each undertaking operates mainly in its country of incorporation and has only one class of ordinary share capital in issue unless otherwise stated.

The registered office of all subsidiary undertakings is Pixham End, Dorking, Surrey, RH4 1QA unless otherwise stated.

Held directly by the Company	Nature of business	Incorporated in
Gateway Specialist Advice Services Limited	Non trading company	England & Wales
Sesame Regulatory Services Limited	Dormant company	England & Wales
Wealth Limited	Dormant company	England & Wales