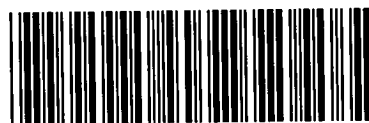


REGISTERED NUMBER: 02844161 (England and Wales)

**Strategic Report, Report of the Directors and
Audited Financial Statements for the Year Ended 31 December 2019
for
Sesame Limited**

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Sesame Limited (Registered number: 02844161)

**Contents of the Financial Statements
for the Year Ended 31 December 2019**

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Sesame Limited

**Company Information
for the Year Ended 31 December 2019**

DIRECTORS:

C Binmore
J Cowan
N Criticos
M L F Golunska
S J Harris
R J Howells
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
1 Hardman Square
Manchester
M3 3EB

Sesame Limited (Registered number: 02844161)

**Strategic Report
for the Year Ended 31 December 2019**

The directors present their strategic report of Sesame Limited (the "Company") for the year ended 31 December 2019.

REVIEW OF BUSINESS

Principal activities

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

The Company is a member of the Sesame Bankhall group of companies. Sesame Bankhall Group ("SBG") forms part of the Aviva plc group of companies.

Significant events

During the year the Company issued £6.0m (2018: £6.0m) of Ordinary £1 shares at par to its shareholder, Sesame Bankhall Group Limited.

Financial position and performance

The financial position of the Company at 31 December 2019 is shown in the Balance Sheet on page 17, with the trading results shown in the Income Statement on page 15.

The Company's net assets have increased by £2.99m due to the new capital introduced exceeding the loss for the year.

Revenue for the year of £82.00m (2018: £78.05m) was consistent with management's expectations.

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 232 complaints (2018: 290) which was 18.0% of all new complaints received (2018: 23.1%). A further 212 complaints were upheld after being referred to FOS (2018: 252). 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 closing number of cases at 31 December 2019 of 111 shows an increase against the prior year figure (2018: 100) however the number of open cases fluctuates depending on the timing and mix of new complaints received.

Section 172(1) Statement and our Stakeholders

The directors report here on how they have discharged their duties under Section 172 of the Companies Act 2006.

The Board is responsible for monitoring and upholding the culture, values, standards, ethics, and reputation of the Company and SBG to ensure that the directors' obligations to its shareholders and stakeholders are met. The Board monitors adherence to the Aviva Group business standards and compliance with local corporate governance requirements and is committed to acting if any areas fail to act in the manner the Board expects.

For each matter which comes before the Board, stakeholders who may be affected are identified and their interests are carefully considered as part of the Board's decision-making process.

The Board is also focused on the wider social context within which our businesses operate, including those issues related to climate change which are of fundamental importance to the planet's well-being.

REVIEW OF BUSINESS - continued

Our culture

As the provider of financial services to thousands of customers, SBG seeks to earn customers' trust by acting with integrity and responsibility at all times. The Company looks to build relationships with all our stakeholders based on openness and continuing dialogue.

The Company's culture is shaped, in conjunction with its parent company, Sesame Bankhall Group Limited, and its ultimate shareholder Aviva plc by jointly held and clearly defined values to help ensure it does the right thing. The Company values diversity and inclusivity in its workforce and beyond. The commitment the Company and SBG makes to each customer extends to all the Company's stakeholders; that is "with our advisors, we will make a positive difference to the financial well-being of UK consumers. We will lead by example to become one of the most recommended, recognised and trusted professional advice brands in Britain".

Key strategic decisions in 2019

SBG continues to invest in the Sesame brand to ensure that advisers are able to respond to future changes and market opportunities with the ultimate aim of making a positive difference to the financial well-being of UK consumers. Key initiatives implemented during 2019 included the following:

- On 17 January 2019 SBG launched a new apprenticeship scheme in partnership with training and education specialists Simply Academy, to help advisory firms across Sesame Network, PMS Mortgage Club, and Bankhall to bolster their staff development and recruitment.
- On 8 March 2019 Sesame Network and PMS Mortgage Club launched a new Later Life Lending Hub to update advisers on the latest lender developments in the emerging Retirement Interest Only (RIO) market, including a quick reference guide with an overview of the key information advisers need to know, along with access to a panel of later life and equity release lenders.
- On 22 May 2019 Sesame Network and PMS Mortgage Club launched the Rewire Routines campaign to help improve advisers' protection conversations with their customers.
- On 4 June 2019 Sesame Network and PMS Mortgage Club announced a support package for advisers operating in the new build sector with the launch of a broker helpdesk, backed by new guidance and educational support.
- On 20 June 2019 Sesame Network and PMS Mortgage Club launched a new product transfer hub to help advisers prepared for the mortgage and refinance opportunities arising in the second half of 2019.
- On 4 November 2019 Sesame Network and PMS Mortgage Club announced a new series of specialist mortgage events for advisers taking place at 11 venues across the UK in November and December 2019. The sessions were supported by 48 lenders and helped advisers to explore and understand the latest innovations in the specialist market, along with new trends and developments.

In addition to specific adviser related initiatives during 2019 SBG also made a number of changes to its Executive Team structure which are relevant to the Company:

- On 26 February 2019 Sesame Network appointed Richard Howells as Managing Director.
- On 6 November 2019 SBG announced changes to its Executive Team structure. Stephen Harris joined as Chief Financial Officer subject to regulatory approval (received in January 2020) and Group Managing Director Martin Schultheiss left SBG. Michele Golunska was subsequently appointed Chief Executive Officer on 15 January 2020 subject to regulatory approval (received in April 2020).

REVIEW OF BUSINESS - continued

Stakeholder Engagement

(i) Employees

The Company has no employees. The majority of staff engaged in the activities of the Company are employed by Sesame Services Limited, a fellow SBG subsidiary undertaking. As part of SBG, these staff enjoy the benefit of SBG policies and benefits made available to them (which include certain Aviva policies and benefits).

SBG's engagement mechanisms include employee forums, internal communication channels, and informal meetings with the directors and employee engagement surveys.

The SBG Board holds regular strategy days throughout the year which staff are able to join when required to provide 'on the ground' insight into the business. SBG carries out a comprehensive employee engagement survey each year, and the results are considered by the SBG Board in the context of the Company's culture, values and behaviours and actions to continually improve the results are discussed and agreed.

SBG's people share in the business' success as shareholders through membership of the Aviva Group's global share plans.

(ii) Customers and clients

The Board of the Company receives regular reporting on client outcomes and has utilised feedback, especially adverse points, to develop actions to improve communication, service, support and guidance, technology, and access to providers, lenders and products as a result of this feedback.

The SBG Board receives regular reporting on strategic initiatives throughout the year, undertaking deep dives into areas that impact customers and clients in order to re-align strategy where applicable. The SBG Board is supported by the SBG Executive Team, led by the Chief Executive Officer, to enable it to closely monitor customer and client metrics, and subsequently engage with the senior leaders to address any issues that may arise from customer or client complaints, feedback and our approach to Treating Customers Fairly.

(iii) Suppliers

All SBG supplier related activity is managed in line with the Aviva Group Procurement & Outsourcing Business Standard. This ensures that supply risk is managed appropriately including in relation to customer outcomes, data security, corporate responsibility, financial, operational, contractual, and brand damage caused by inadequate oversight or supplier failure.

The Aviva plc Board reviews the actions the Aviva Group, including SBG, has taken to prevent modern slavery and associated practices in any part of the Aviva Group supply chain and approves the Aviva Group's Modern Slavery Act statement each year.

In the UK, the Company's ultimate parent, Aviva plc, is a signatory of the Prompt Payment Code which sets standards for high payment practices.

The Aviva Group, including SBG, is a Living Wage employer in the UK, and the Company's supplier contracts include a commitment by the supplier to pay their eligible employees not less than the Living Wage in respect of work provided to the Company at its premises in the UK.

The SBG Supplier Management Forum are closely involved in the management of the Company's most critical or important suppliers, and regularly review reports on their performance.

REVIEW OF BUSINESS - continued

Stakeholder Engagement - continued

(iv) Communities

As a business the Company has a responsibility to our environment and local communities. The Company and SBG attempt to participate in activities that benefit society, such as reducing the Company's carbon footprint, supporting social or charitable causes, and enforcing ethical labour practices.

The Company and SBG are committed to supporting the local community and charities close to employee's hearts. The SBG Corporate Social Responsibility policy includes a 'voluntary hours' process, committing a total of 150 hours per year to enable employees to gain invaluable experience and skills, relative to the business, whilst supporting a good cause of their choice.

(v) Shareholders

The Company's ultimate shareholder is Aviva plc and there is ongoing communication and engagement with the Aviva plc Board. Any matters requiring escalation are escalated by the SBG Board through the Chair to its parent. Additionally, members of the Aviva Life Holdings UK Limited board can attend SBG Board meetings by invitation.

(vi) Our regulators

The Company is categorised as a 'flexible portfolio' firm under the FCA's supervision regime, which is the least intrusive form of supervision for FCA solo regulated firms. The Company is also classified as an 'enhanced scope' firm for the purposes of the FCA's Senior Managers and Certification Regime (SMCR) meaning that, due to its size, there are additional requirements placed upon it by this regime, including further obligations placed upon Senior Managers and the requirement to provide the FCA with an updated Management Responsibilities Map whenever there is a material change to the responsibilities of Senior Managers or a material change to the governance structure/governing function holders within the Company.

SBG maintains a close relationship with the regulator both directly and via its relationship with Aviva. SBG notifies the FCA of any material issues that the FCA would reasonably expect notice of via its own internal processes, in conjunction with Aviva UK Life's Compliance Team.

REVIEW OF BUSINESS - continued

Future outlook

The strategic direction of the Company is set by the directors of the Company following engagement with the Board of the parent company. The directors consider that the Company's principal activities will continue unchanged for the foreseeable future.

SBG is a broadly-based financial services group, with a long-term vision and commitment to professional financial advice. This commitment and strength put SBG in a strong position to provide greater value and choice to more adviser firms in the future. SBG continues to invest in the Company and the Sesame brand to ensure that they are well placed to respond to future market charges and opportunities.

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.

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.

Risk factors beyond the Company's control that could cause actual results to differ materially from those estimated include, but are not limited to:

- Market risk, the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables such as interest rates and property prices. Any factors which create poor liquidity in the mortgage market are likely to reduce a consumer's propensity to arrange new mortgages and subsequently impact of RIs productivity.
- Credit risk, the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default. This risk is currently limited as amounts owed to the Company largely comprise balances receivable from fellow SBG companies.
- COVID-19 presents a new uncertainty in 2020. The primary focus of the Company and SBG is the operational readiness and safety of our customers and staff, such that we continue to deliver on our promises. SBG's scale, diversity and the strength of our entity balance sheets allows us to meet any short-term challenges.

The Company's risk management policies are set out in the Report of the Directors.

Sesame Limited (Registered number: 02844161)

**Strategic Report
for the Year Ended 31 December 2019**

KEY PERFORMANCE INDICATORS

The directors consider that the Company's key performance indicators (KPIs) that communicate the financial performance are as follows:

| | 2019 | 2018 |
|----------------------|---------|---------|
| Turnover | £82.0m | £78.0m |
| Operating loss | (£3.8m) | (£6.6m) |
| Loss before taxation | (£3.7m) | (£6.5m) |
| Net assets | £10.4m | £7.4m |

The Company's principal non-financial KPIs include the net promoter score (NPS) for the Sesame brand which measures the likelihood of a customer recommending Sesame. The score is determined through collation of customer feedback and a scoring system that gives greater weighting to lower scores ('detractors') than higher scores ('promoters'). The results are benchmarked against both prior year results and a representative sample of competitors and other firms within the financial services industry.

Other significant non-financial KPIs include:

- The number of RIs providing services to consumers and thus generating income for the Company, and their productivity.
- The number of consumer complaints upheld. 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.

| | 2019 | 2018 |
|-----------------------------------------------------------|------|------|
| Closing number of Mortgage and General Insurance Advisers | 821 | 882 |
| Average number of Mortgage and General Insurance Advisers | 879 | 865 |
| Complaints upheld | 232 | 290 |

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:



M L F Golunska - Director

28 July 2020

Sesame Limited (Registered number: 02844161)

**Report of the Directors
for the Year Ended 31 December 2019**

The directors present their report with the audited financial statements of the Company for the year ended 31 December 2019.

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 2019 (2018: £nil).

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The following directors have held office in the whole period from 1 January 2019 to the date of this report:

C Binmore
J Cowan
N Criticos
D S Miller

Changes in directors holding office in the period from 1 January 2019 to the date of this report are as follows:

C A Williams - appointed 17 May 2019
R J Howells - appointed 2 January 2020
S J Harris - appointed 13 January 2020
M F Golunska - appointed 20 April 2020

DIRECTORS AND OFFICERS - INDEMNITY AND INSURANCE

The directors have the benefit of an 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 in section 234 of the Companies Act 2006.

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.

Sesame Limited (Registered number: 02844161)

**Report of the Directors
for the Year Ended 31 December 2019**

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 company, Sesame Bankhall Group Limited, 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 Sesame Bankhall Group Limited should they be required. During 2019, 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 2019.

Aviva Life Holdings UK Limited, an intermediate parent entity, has formally confirmed that it will provide limited liquidity support to Sesame Bankhall Group Limited and its subsidiaries should this be required to meet their regulatory solvency and liquidity requirements. This support has been confirmed for a period of one year from the approval date of the Sesame Bankhall Group Limited's audited financial statements for the year ended 31 December 2019.

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.

EMPLOYEES

The Company has no employees. The majority of employees engaged in the activities of the Company are employed by the fellow SBG subsidiary undertaking Sesame Services Limited. Disclosures relating to employees may be found in the annual report and financial statements of that company.

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 ARs settled by the Company. Debt levels are monitored on a continual basis by management to enable effective management of AR debt levels.

Market risk

The Company is exposed to any major economic downturn which causes poor liquidity in the mortgage and general insurance markets. Any such downturn is likely to negatively affect the profitability of network ARs and in turn the revenue and profitability of the Company, resulting in an additional charge against shareholder's equity and profits. 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. Notes on the impact of COVID-19 on the market and the Company are included in Note 17 Events After the Reporting Period.

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 due to the support provided by the parent company, Sesame Bankhall Group Limited. See Going Concern disclosure for further information.

Sesame Limited (Registered number: 02844161)

**Report of the Directors
for the Year Ended 31 December 2019**

CAPITAL MANAGEMENT

The Company is 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 £33.1m at 31 December 2019 (2018: £29.1m).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make reasonable and prudent judgements and accounting estimates;
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They 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.

Sesame Limited (Registered number: 02844161)

**Report of the Directors
for the Year Ended 31 December 2019**

DISCLOSURE OF INFORMATION TO THE AUDITORS

In accordance with section 418 of the Companies Act 2006, the directors in office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's External Auditor, PricewaterhouseCoopers LLP, is unaware and each director has taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that PricewaterhouseCoopers LLP is aware of that information.

AUDITORS

It is the intention of the directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of section 487 of the Companies Act 2006.

ON BEHALF OF THE BOARD:



M L F Golunska - Director

28 July 2020

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 2019 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 2019; the income statement, the statement of 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS - continued

Reporting on other information - continued

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 2019 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 10, 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

28 July 2020

Sesame Limited (Registered number: 02844161)

**Income Statement
for the Year Ended 31 December 2019**

| | Note | 2019 £'000 | 2018 £'000 |
|----------------------------------------|------|-----------------------|-----------------------|
| TURNOVER | | 81,997 | 78,049 |
| Cost of sales | | <u>(69,284)</u> | <u>(68,604)</u> |
| GROSS PROFIT | | 12,713 | 9,445 |
| Administrative expenses | | <u>(16,531)</u> | <u>(16,051)</u> |
| OPERATING LOSS | | (3,818) | (6,606) |
| Interest receivable and similar income | 4 | <u>97</u> | <u>65</u> |
| LOSS BEFORE TAXATION | 5 | (3,721) | (6,541) |
| Tax on loss | 6 | <u>706</u> | <u>1,243</u> |
| LOSS FOR THE FINANCIAL YEAR | | <u><u>(3,015)</u></u> | <u><u>(5,298)</u></u> |

The notes on pages 19 to 31 form part of these financial statements

Sesame Limited (Registered number: 02844161)

**Statement of Comprehensive Income
for the Year Ended 31 December 2019**

| | 2019 £'000 | 2018 £'000 |
|--------------------------------------------------|----------------|----------------|
| LOSS FOR THE FINANCIAL YEAR | (3,015) | (5,298) |
| OTHER COMPREHENSIVE INCOME | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | <u>(3,015)</u> | <u>(5,298)</u> |

The notes on pages 19 to 31 form part of these financial statements

Sesame Limited (Registered number: 02844161)

**Balance Sheet
As at 31 December 2019**

| | Note | 2019 £'000 | 2018 £'000 |
|----------------------------------------------|------|-----------------|-----------------|
| CURRENT ASSETS | | | |
| Debtors | 8 | 43,825 | 43,052 |
| Cash at bank and in hand | | <u>24,750</u> | <u>22,159</u> |
| | | 68,575 | 65,211 |
| CREDITORS | | | |
| Amounts falling due within one year | 9 | <u>25,996</u> | <u>27,129</u> |
| NET CURRENT ASSETS | | <u>42,579</u> | <u>38,082</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 42,579 | 38,082 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 10 | (25,000) | (25,000) |
| PROVISIONS FOR LIABILITIES | 11 | <u>(7,161)</u> | <u>(5,649)</u> |
| NET ASSETS | | <u>10,418</u> | <u>7,433</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 12 | 82,021 | 76,021 |
| Share premium account | 13 | 3,251 | 3,251 |
| Accumulated losses | 13 | <u>(74,854)</u> | <u>(71,839)</u> |
| TOTAL SHAREHOLDERS' FUNDS | 18 | <u>10,418</u> | <u>7,433</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 28 July 2020 and were signed on its behalf by:

M. Golunska

M L F Golunska - Director

The notes on pages 19 to 31 form part of these financial statements

Sesame Limited (Registered number: 02844161)

**Statement of Changes in Equity
for the Year Ended 31 December 2019**

| | Called up share capital £'000 | Accumulated losses £'000 | Share premium account £'000 | Total equity £'000 |
|-----------------------------------------------------------------------------------|----------------------------------------|--------------------------------|--------------------------------------|--------------------------|
| 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> |
| Changes in equity | | | | |
| Issue of share capital | 6,000 | - | - | 6,000 |
| Loss for the financial year and total comprehensive loss | - | (3,015) | - | (3,015) |
| Balance at 31 December 2019 | <u>82,021</u> | <u>(74,854)</u> | <u>3,251</u> | <u>10,418</u> |

The notes on pages 19 to 31 form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 December 2019**

1. ACCOUNTING POLICIES

Reporting entity

Sesame Limited is a private company limited by shares. The Company is incorporated in the United Kingdom, 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 paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
the requirements of paragraph 58 of IFRS 16;
- 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.

New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has adopted the following new standard which became effective for the annual reporting period beginning on 1 January 2019:

- IFRS 16, Leases - IFRS 16 replaces IAS 17 Leases and applies to annual reporting periods beginning on or after 1 January 2019. The standard has been endorsed by the EU. The adoption of IFRS 16 has had no impact on the Company's financial statements.

1. ACCOUNTING POLICIES - continued

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

- IFRS 17, Insurance Contracts - IFRS 17 is a comprehensive new accounting standard for insurance contracts and once effective it will replace IFRS 4 Insurance Contracts issued in 2004. Following the publication of an Exposure Draft of proposed amendments to IFRS 17 in June 2019, it is expected that the standard will apply to annual reporting periods beginning on or after 1 January 2022 at the earliest. The final standard is due to be published in mid-2020 and remains subject to endorsement by the EU and the UK.

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 company, Sesame Bankhall Group Limited, 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 2019, 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 2019.

Aviva Life Holdings UK Limited, an intermediate parent entity, has formally confirmed that it will provide limited liquidity support to Sesame Bankhall Group Limited and its subsidiaries should this be required to meet their regulatory solvency and liquidity requirements. This support has been confirmed for a period of one year from the approval date of the Sesame Bankhall Group Limited's audited financial statements for the year ended 31 December 2019.

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.

1. ACCOUNTING POLICIES - continued

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 Balance Sheet date are used to value the deferred tax assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. 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 Balance Sheet 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 11 and 15.

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. EMPLOYEES AND DIRECTORS

The Company has no employees and therefore there were no staff costs for the year ended 31 December 2019 (2018: £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:

| | 2019 | 2018 |
|-----------------------|--------------|--------------|
| | £'000 | £'000 |
| Wages and salaries | 6,525 | 6,005 |
| Social security costs | 774 | 811 |
| Other pension costs | <u>332</u> | <u>310</u> |
| | <u>7,631</u> | <u>7,126</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:

| | 2019 | 2018 |
|----------------------|------------|------------|
| | £'000 | £'000 |
| Aggregate emoluments | <u>243</u> | <u>249</u> |
| Total emoluments | <u>243</u> | <u>249</u> |

3. **EMPLOYEES AND DIRECTORS - continued**

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:

| | 2019 £'000 | 2018 £'000 |
|----------------------|---------------|---------------|
| Aggregate emoluments | <u>198</u> | <u>187</u> |
| | <u>198</u> | <u>187</u> |

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

4. **INTEREST RECEIVABLE AND SIMILAR INCOME**

| | 2019 £'000 | 2018 £'000 |
|---------------------|---------------|---------------|
| Interest receivable | <u>97</u> | <u>65</u> |

5. **LOSS BEFORE TAXATION**

Auditors' remuneration for audit services of £99,200 excluding VAT (2018: £95,500) 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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

6. TAX ON LOSS

Analysis of tax income

| | 2019 £'000 | 2018 £'000 |
|--------------------------------------|---------------|----------------|
| Current tax: | | |
| Tax | (707) | (1,244) |
| Deferred tax | <u>1</u> | <u>1</u> |
| Total tax credit in income statement | <u>(706)</u> | <u>(1,243)</u> |

Factors affecting the tax expense

The tax assessed for the year is higher than (2018: equal to) the standard rate of corporation tax in the UK. The difference is explained below:

| | 2019 £'000 | 2018 £'000 |
|-------------------------------------------------------------------------------------------------------|----------------|----------------|
| Loss before taxation | <u>(3,721)</u> | <u>(6,541)</u> |
| Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%) | (707) | (1,243) |
| Effects of: | | |
| Capital allowances | <u>1</u> | <u>-</u> |
| Total tax credit | <u>(706)</u> | <u>(1,243)</u> |

Finance Act 2016 introduced legislation reducing the UK corporation tax rate from 1 April 2020 to 17%. This reduced rate was used in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2019. In the Budget of 11 March 2020 the UK Government reversed this rate reduction, announcing that the UK corporation tax rate will remain at 19% from 1 April 2020 and this was substantively enacted on 17 March 2020. This measure would increase the Company's deferred tax liability by approximately £0.5k.

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.

| | 2019 £'000 | 2018 £'000 |
|-----------------------------------------|---------------|---------------|
| At 1 January | 5 | 6 |
| Deferred tax charge in income statement | <u>(1)</u> | <u>(1)</u> |
| At 31 December | <u>4</u> | <u>5</u> |

Sesame Limited (Registered number: 02844161)

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

7. 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

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

Sesame Regulatory Services Limited

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

Nature of business: Dormant

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

Wealth Limited

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

Nature of business: Dormant

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

The wholly owned investments listed above all have one class of ordinary share capital with the Company's shareholding in these entities ranging between £1 and £200.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

8. DEBTORS

| | 2019 | 2018 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade receivables | 1 | 2 |
| Amounts owed by group undertakings | 35,890 | 35,890 |
| Other receivables | 3,327 | 1,390 |
| Corporation tax - group relief | 2,112 | 2,467 |
| Deferred tax asset | 4 | 5 |
| Prepayments and accrued income | <u>2,491</u> | <u>3,298</u> |
| | <u>43,825</u> | <u>43,052</u> |

Trade receivables are reported at the amounts at which they are expected to be received after allowing for bad debts, which are assessed individually. Impairment of trade receivables is reported as an expense. Trade receivables are stated after provisions for impairment of £12.646m (2018: £11.715m).

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 16.

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 £2.556m (2018: £3.381m).

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

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 | 2018 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade payables | 10 | 274 |
| Amounts owed to group undertakings | 3,881 | 3,770 |
| Other payables | 11 | 16 |
| Accruals and deferred income | <u>22,094</u> | <u>23,069</u> |
| | <u>25,996</u> | <u>27,129</u> |

Included within accruals and deferred income is a deferred income balance of £5.486m (2018: £6.134m) 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 16.

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

| | 2019 £'000 | 2018 £'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, 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 8.

Further information relating to amounts owed to group undertakings is detailed in the Related Party Disclosures in Note 16.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

11. PROVISIONS FOR LIABILITIES

| | Complaints £'000 | Other £'000 | Total £'000 |
|-----------------------------|---------------------|----------------|----------------|
| At 1 January 2019 | 5,593 | 56 | 5,649 |
| Charged to income statement | 7,153 | 19 | 7,172 |
| Utilisation | (5,660) | - | (5,660) |
| At 31 December 2019 | <u>7,086</u> | <u>75</u> | <u>7,161</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 Other Receivables disclosed in Note 8.

| | Complaints £'000 | Other £'000 | Total £'000 |
|---------------------|---------------------|----------------|----------------|
| At 1 January 2019 | <u>2,798</u> | <u>-</u> | <u>2,798</u> |
| At 31 December 2019 | <u>3,378</u> | <u>-</u> | <u>3,378</u> |

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 managements' 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.

11. PROVISIONS FOR LIABILITIES - continued

Complaints - Past Business Review - continued

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.

12. CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid: | | Nominal value: £1 | 2019 £'000 <u>82,021</u> | 2018 £'000 <u>76,021</u> |
|----------------------------------|----------|-------------------------|--------------------------------|--------------------------------|
| Number: | Class: | | | |
| 82,021,154 (2018: 76,021,154) | Ordinary | | | |

6,000,000 Ordinary £1 shares (2018: 6,000,000) were issued at par and fully paid for cash during the year.

13. RESERVES

| | Accumulated losses £'000 | Share premium account £'000 | Totals £'000 |
|-----------------------------|--------------------------------|--------------------------------------|-----------------|
| At 1 January 2019 | (71,839) | 3,251 | (68,588) |
| Loss for the financial year | <u>(3,015)</u> | <u>-</u> | <u>(3,015)</u> |
| At 31 December 2019 | <u>(74,854)</u> | <u>3,251</u> | <u>(71,603)</u> |

14. 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.

15. 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.

16. RELATED PARTY DISCLOSURES

| | 2019 £'000 | 2018 £'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>3,881</u> | <u>3,770</u> |
| | 3,881 | 3,770 |
| 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>28,881</u> | <u>28,770</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.

17. EVENTS AFTER THE REPORTING PERIOD

COVID-19

2020 began with the outbreak of a new strain of the Coronavirus (COVID-19) in China. Following the spread of this virus outside of China the World Health Organisation announced the outbreak as a global pandemic on 11 March 2020. This pandemic has caused widespread economic disruption and the UK, which has been particularly badly affected, was put into government enforced lockdown from 23 March 2020. UK lockdown restrictions have gradually been eased in recent months but the effect of the disruption caused by this pandemic has been an unprecedented shock to the UK economy.

Notwithstanding our robust capital and liquidity position, and the operational and financial actions that we are taking, this pandemic has had a negative effect on SBG and the Company and any future deterioration in the situation would have adverse implications for SBG and the Company arising from the impact on consumer confidence, the housing market, and our operations.

Whilst SBG has seen an overall reduction in transaction volumes as a result of the lockdown the rapidly evolving situation means that the ongoing impact is unclear and it is therefore not practicable to quantify the potential financial impact of the outbreak on SBG or the Company. A wide range of potential outcomes have been considered and modelled by management as part of the going concern assessment for SBG. This assessment indicates SBG has a high level of resilience which will allow it to deal with the impact of the ongoing pandemic for the foreseeable future. Management consider COVID-19 to be a non-adjusting event under IAS 10 as it arose after the end of the reporting period.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2019 £'000 | 2018 £'000 |
|--------------------------------------------|----------------------|---------------------|
| Loss for the financial year | (3,015) | (5,298) |
| IFRS 15 opening reserves adjustment | - | (687) |
| New share capital subscribed | <u>6,000</u> | <u>6,000</u> |
| Net addition to shareholders' funds | 2,985 | 15 |
| Opening shareholders' funds | <u>7,433</u> | <u>7,418</u> |
| Closing shareholders' funds | <u>10,418</u> | <u>7,433</u> |

19. 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 |