RMS MORTGAGE SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2017

(Registered Number 05605493)

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Directors' Report

The Directors present their Directors' report and the audited financial statements for the year ended 31 December 2017.

INTRODUCTION AND OVERVIEW

RMS Mortgage Services Limited is a private Limited Company incorporated in England & Wales, registered number 05605493.

On 29 February 2016 95% of the issued share capital of RMS Estate Agents Limited, the parent Company of RMS Mortgage Services Limited, was acquired by Connells Limited, at which point Skipton Building Society became the ultimate controlling party. All new mortgage services business was transferred to RMS Estate Agents Limited from that date. The Company still collects renewal commissions and will do for the foreseeable future.

DIRECTORS

The Directors who served during the year were:

J Walker
R S Shipperley
D C Livesey
R J Twigg
D K Plumtree

DIVIDENDS

During the year the Company paid interim ordinary dividends of £75,000 (2016: £400,000). The Directors do not recommend payment of a final dividend (2016: £nil).

DONATIONS

There have been no charitable or political donations in the year (2016: £nil).

EMPLOYEES

It is Company policy to provide employees with information concerning their roles and responsibilities and the trading performance of the Company. This policy is to ensure opportunities are available at every level to improve employees' and corporate performance. Regular meetings are held which involve directors, managers and staff.

DISABLED PERSONS

The Company continues to recognise its social and statutory duty to employ disabled persons and will do all that is practicable to meet this responsibility. Full consideration will be given to the recruitment of disabled persons, where a disabled person can adequately fulfil the requirements of the job.

If an employee becomes disabled he or she will continue wherever possible to be employed in the same job. If this action is not practicable or possible, then every effort will be made to find suitable alternative employment. It is the policy of the Company that the training, career development and promotion of a disabled person should as far as possible be identical with that of a person who does not have a disability.

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The Company has taken advantage of the small companies' exemptions in presenting this Directors' Report.

By order of the board

RJ Twigg
Director

16 March 2018
Cumbria House
16-20 Hockliffe Street
Leighton Buzzard
Bedfordshire
LU7 1GN

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RMS MORTGAGE SERVICES LIMITED

Opinion

We have audited the financial statements of RMS Mortgage Services Limited ("the company") for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RMS MORTGAGE SERVICES LIMITED

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

K Tasker

Karen Tasker (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

28 March 2018

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 2017 £000	Year ended 2016 £000
Revenue	1	23	252
Operating expenses	2	(8)	(120)
Profit before tax		**15**	**132**
Tax expense	4	(3)	(27)
Profit for the year		**12**	**105**

In both the current and preceding year the Company made no acquisitions.

There were no recognised income and expense items in the current year (2016: £nil) other than those reflected above.

The notes on pages 11 to 17 form part of these financial statements.

Statement of Financial Position

AT 31 DECEMBER 2017

	Notes	£000	31 December 2017 £000	£000	31 December 2016 £000
Non-current assets					
Property, plant and equipment	5	1		1	
Total non-current assets			1		1
Current assets					
Trade and other receivables	6	26		-	
Cash and cash equivalents		44		138	
Total current assets			70		138
Total assets			**71**		**139**
Current liabilities					
Tax liabilities		-		16	
Total current liabilities			-		16
Non-current liabilities					
Provisions	7	38		27	
Total non-current liabilities			38		27
Total liabilities			**38**		**43**
Equity – attributable to equity holders of the Company					
Share capital	8	-		-	
Retained earnings	8	33		96	
Total equity			33		96
Total equity and liabilities			**71**		**139**

These accounts were approved by the board of directors on 16 March 2018 and signed on its behalf by:

RJ Twigg
Director

Company registration number: 05605493

The notes on pages 11 to 17 form part of these accounts.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	-	96	96
Total comprehensive income for the year	-	12	12
Dividends	-	(75)	(75)
Balance at 31 December 2017	**-**	**33**	**33**
Balance at 1 January 2016	-	391	391
Total comprehensive income for the year	-	105	105
Dividends	-	(400)	(400)
Balance at 31 December 2016	**-**	**96**	**96**

The notes on pages 11 to 17 form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 2017 £000	Year ended 2016 £000
Cash flows from operating activities			
Profit for the year		12	105
Adjustments for:			
Taxation	4	3	27
Operating profit before changes in working capital and provisions		**15**	**132**
(Increase)/decrease in trade and other receivables	6	(26)	184
Decrease in trade and other payables		-	(17)
Increase /(decrease) in provisions	7	11	(16)
Cash inflow from operations		-	**283**
Tax paid		(19)	(43)
Net cash (outflows)/inflows from operating activities		**(19)**	**240**
Net cash flows from investing activities		-	-
Cash flows from financing activities			
Dividends paid to parent undertaking		(75)	(400)
Net cash outflows from financing activities		**(75)**	**(400)**
Net decrease in cash and cash equivalents		(94)	(160)
Cash and cash equivalents at 1 January		138	298
Cash and cash equivalents at 31 December		**44**	**138**

The notes on pages 11 to 17 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

RMS Mortgage Services Limited (the "Company") is a Company incorporated, registered and domiciled in the UK. The following accounting policies have been applied consistently in these Company's accounts:

a) Basis of accounting

The Company's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and effective as at 31 December 2017, and those parts of the Companies Act 2006 applicable to Companies reporting under IFRS.

The Company has applied the following changes in accounting standards during the year:

- Disclosure Initiative (Amendments to IAS 7);
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12);

These amendments have had no material impact on these Financial Statements.

Disclosed below are the new IFRS and amendments which at 31 December 2017 have been endorsed by the EU but were not effective and have therefore not been applied in preparing these financial statements:

- IFRS 15 Revenue from Contracts with Customers;
- IFRS 9 Financial Instruments; and
- IFRS 16 Leases.

The new revenue recognition standard IFRS 15 will be effective for periods beginning on or after 1 January 2018. The Company does not believe that its revenue streams will be impacted materially by the changes to the standard, following a detailed assessment. The Company plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Company will not apply the requirements of IFRS 15 to the comparative period presented.

IFRS 9 will also be effective for periods beginning on or after 1 January 2018. The impact has been assessed and is considered minimal given the Company does not hold complex financial instruments. The impact to the trade and receivables balance has been calculated based on historic bad debt rates, but the estimated exposure is not material. Given the limited impact it is not expected significant additional disclosure will be required. The Company plans to apply the IFRS 9 changes retrospectively, with the following exception. The Company will take advantage of the exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

The new leasing standard, IFRS 16, will be effective from 1 January 2019. The standard is not expected to have a material impact on the financial statements as the Company does not have any lease obligations.

Measurement convention

These financial statements are prepared on the historical cost basis.

Currency presentation

These financial statements are presented in pounds sterling and, except where otherwise indicated, have been rounded to the nearest one thousand pounds. The functional currency is pounds sterling.

Going concern

The Company's business activities are set out on page 3. The financial position of the Company, its cash flows, and liquidity position are shown on pages 7 to 10. In addition, the Directors Report and notes to these financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has sufficient financial resources and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully in the current economic outlook, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS*(continued)*

1. Accounting policies (continued)

b) Revenue recognition

Revenue represents total invoiced sales of the Company, excluding value added tax.

Revenue on mortgage procuration fees is recognised on completion of the mortgage transaction, when all contractual obligations have been fulfilled.

c) Property, plant and equipment

Property, plant and equipment are stated in the Statement of Financial Position at cost less accumulated depreciation and impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives at the following rates:

Fixtures and fittings 15%

All depreciation is charged on a straight-line basis. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

d) Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

e) Trade and other payables

Trade and other payables are measured initially at their fair value and then subsequently carried at amortised cost.

g) Taxation

Income tax on the profits for the year comprises current tax and deferred tax. Income tax is recognised in the Income Statement except where items are recognised directly in other comprehensive income, in which case the associated income tax charge or credit is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the year end, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the company.

The carrying amount of deferred tax assets is reviewed at each year end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each year end and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

h) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash comprises cash in hand and balances with banks and similar institutions. Cash and cash equivalents comprise highly liquid investments which are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. The Statement of Cash Flows has been prepared using the indirect method.

i) Net financing costs

Interest income and interest payable is recognised in the Statement of Comprehensive Income as they accrue using the effective interest method.

j) Critical accounting judgements and estimates

The Company makes estimates and assumptions regarding the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

- Accounting policies – certain critical judgments have been made in applying the Company's accounting policies in relation to provisions for clawback of insurance commission (note 7).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. Expenses and auditor's remuneration

	Year ended 2017 £000	Year ended 2016 £000
Included in profit are the following:		
Auditor's remuneration and expenses:		
Audit of these financial statements	-	-

In 2017 the auditor's remuneration of £2,000 (2016: £2,000) was borne by RMS Estate Agents Limited.

3. Staff numbers and costs

The average monthly number of persons employed by the Company (including directors) during the year was as follows:

	Year ended 2017 No.	Year ended 2016 No.
Directors	4	4
	4	4

The aggregate payroll costs of these persons were as follows:	Year ended 2017 £000	Year ended 2016 £000
Wages and salaries	-	31
	-	31

Directors' emoluments

None of the directors are directly remunerated by the Company. The notional allocation of cost to the Company for their services was inconsequential.

4. Taxation

	Year ended 2017 £000	Year ended 2016 £000
a) Analysis of expense in the year at 19.25% (2016: 20%)		
Current tax expense		
Current tax at 19.25% (2016: 20%)	3	27
Total current tax	3	27
Total deferred tax	-	-
Tax expense	3	27

b) Factors affecting current tax expense in the year

The tax assessed in the Income Statement is equal to (2016: equal to) the standard UK corporation tax rate as follows:

	2017	2016
Profit before tax	15	132
Tax on profit at UK standard rate of 19.25% (2016: 20%)	3	27
Tax expense	3	27

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Property, plant and equipment

	Fixtures and Fittings £000
Cost	
At 1 January 2017	2
Additions	-
At 31 December 2017	2
Depreciation	1
At 1 January 2017	
Charge for year	-
At 31 December 2017	1
Net book value 31 December 2017	1

	Fixtures and Fittings £000
Cost	
At 1 January 2016	2
Additions	-
At 31 December 2016	2
Depreciation	
At 1 January 2016	1
Charge for year	-
At 31 December 2016	1
Net book value 31 December 2016	1

6. Trade and other receivables

	31 December 2017 £000	**31 December 2016 £000**
Trade receivables	26	-
	26	-

7. Provisions

	Insurance Commission Clawback 2017 £000	**Insurance Commission Clawback 2016 £000**
At 1 January	27	43
Released during the year	-	(16)
Provisions made during the year	11	-
At 31 December	38	27
Due within one year	-	-
Due after one year	38	27
	38	27

Provision for insurance commission clawback is estimated using anticipated cancellation rates of term insurance policies. This provision is based on the clawback period from the sign up date of the term insurance policy. The cancellation rates used in the provision are revisited every quarter.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Share capital

Allotted, called up and fully paid	**31 December 2017 £000**	**31 December 2016 £000**
1 Ordinary share of £1	-	-
	-	-

Management of capital

Capital is considered to be audited retained earnings and ordinary share capital in issue.

Capital	**31 December 2017 £000**	**31 December 2016 £000**
Ordinary shares	-	-
Retained earnings	33	96
	33	96

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act, with which it complies. The capital position is reported to the Board regularly. The capital position is also given due consideration when corporate plans are prepared.

9. Related party transactions

The Company had no related party relationships within the Skipton Group and no outstanding balances as at 31 December 2017 or 31 December 2016.

10. Capital and operating lease commitments

The Company had no capital commitments at the year-end (2016: £nil).

The Company has no commitments due under operating leases in respect of rental of land and buildings and motor vehicles (2016: £nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Financial instruments

Financial risks

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity.

The principal financial risks to which the Company is exposed are liquidity risk, market risk and credit risk, these are monitored on a regular basis by management. Each of these is considered below.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost.

The Company's liquidity policy is to maintain sufficient liquid resources to cover imbalances and fluctuations in funding, to maintain solvency of the Company and to enable the Company to meet its financial obligations as they fall due. This is achieved through maintaining a prudent level of liquid assets and through rigorous management control of the growth of the business. The Company did not have any financial liabilities as at 31 December 2017 (2016: £Nil).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk.

Currency risk

The Company is not exposed to any currency risk as all transactions are denominated in Sterling.

Interest rate risk

The Company has no interest bearing liabilities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's financial assets at the year end were as follows:

	Year ended 2017 £000	Year ended 2016 £000
Cash and cash equivalents	44	138
Trade receivables	26	-
	70	138

As stated in note 6, trade and other receivables are current assets and are expected to convert to cash over the next twelve months.

There are no significant concentrations of credit risk within the Company. The Company is exposed to credit risk from sales. It is Company policy to assess the credit risk of major new customers before entering contracts. The majority of customers use the Company's services as part of a housing transaction and consequently the sales are paid from the proceeds of the house sale. The majority of the commercial customers and the major lenders are large financial institutions and as such the credit risk is not significant. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. The following table presents a breakdown of the gross trade receivables between the main types of customer:

	2017 Group £000	2016 Group £000
Individual customers	-	-
Other commercial customers	26	-
	26	-

The cash and cash equivalents consists only of bank balances, and is held with an institution with an A+ credit rating.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Ultimate parent undertaking

The Company is a 100% owned subsidiary of RMS Estate Agents Limited. The ultimate parent undertaking is Skipton Building Society, which is registered in the United Kingdom. The largest group in which the results are consolidated is that headed by Skipton Building Society. The smallest group is that headed by Connells Limited and the consolidated accounts of this Company are available to the public and can be obtained from:

Connells Limited
Cumbria House
16-20 Hockliffe Street
Leighton Buzzard
Bedfordshire
LU7 1GN