

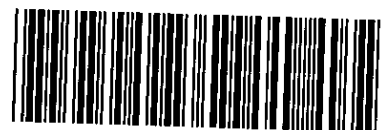
RMS MORTGAGE SERVICES LIMITED

DIRECTORS' REPORT AND UNAUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Registered Number 05605493)

FRIDAY



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COMPANIES HOUSE

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DIRECTORS' REPORT

The Directors present their Directors' report and the unaudited financial statements for the year ended 31 December 2020.

INTRODUCTION AND OVERVIEW

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

RMS Mortgage Services Limited provides mortgage and ancillary services to participants in the UK residential property market.

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 £14,000 (2019: £20,000). The Directors do not recommend payment of a final dividend (2019: £nil).

DONATIONS

There have been no charitable or political donations in the year (2019: £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.

EMPLOYEE DEVELOPMENT AND EQUAL OPPORTUNITIES

The Company's approach is to ensure it recruits and promotes the right people regardless of gender, disability, age, sexual orientation or race, and is committed to a culture of meritocracy whereby career progression is based on ability. It facilitates opportunities for all employees to progress and regularly reviews practices and policies. It regards its people as its most valuable asset and is committed to investing in them to achieve their full potential, without discrimination.

People with disabilities are given equal opportunities wherever they can fulfil the requirements of the job. If an employee becomes disabled during their employment with the Company every reasonable effort is made to enable them to continue their career within the Company.

GOING CONCERN

The Directors have undertaken a thorough assessment of the Company's financial forecasts to 31 December 2022, including the continuing impact of Covid-19 on its operations within the UK.

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2020 the Company reported a net profit after tax of £20,000 (2019: £25,000) and at 31 December 2020 had cash balances amounting to £55,000 (2019: £52,000). At the date of signing these accounts, the Company has a similar cash balance and has no external debt.

As a result of the above, the outputs of financial modelling and following careful consideration, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

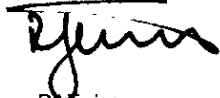
DIRECTORS' REPORT *(continued)*

AUDITOR

The Directors have relied upon the exemption from the obligation to appoint auditors permitted under section 479A of the Companies Act 2006 in submitting these unaudited Financial Statements. There is a parent guarantee in place from Connells Limited.

The company has taken advantage of the small companies' exemptions in presenting this Directors' report.

By order of the board



R. Twigg
Director

21 September 2021
Cumbria House
16-20 Hockliffe Street
Leighton Buzzard
Bedfordshire
United Kingdom
LU7 1GN

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

The directors are responsible for preparing the annual 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 the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance;
- in respect of the financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not 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 company 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.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

The directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- that the financial statements, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- that they consider the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | Year ended 2020 £000 | Year ended 2019 £000 |
|----------------------------|-------|----------------------------|----------------------------|
| Revenue | 2 | 24 | 31 |
| Operating expenses | | - | - |
| Profit before tax | | 24 | 31 |
| Tax expense | 4 | (4) | (6) |
| Profit for the year | | 20 | 25 |

There were no recognised income and expense items in the current year (2019: £nil) other than those reflected above.

The notes on pages 10 to 15 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

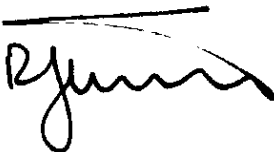
| | Notes | £000 | 31 December 2020 £000 | £000 | 31 December 2019 £000 |
|---|-------|------|-----------------------------|------|-----------------------------|
| Current assets | | | | | |
| Trade and other receivables | 5 | 3 | | - | |
| Cash and cash equivalents | | 55 | | 52 | |
| Total current assets | | | 58 | | 52 |
| Total assets | | | 58 | | 52 |
| Current liabilities | | | | | |
| Tax liabilities | | 4 | | 3 | |
| Provisions | 6 | - | | 1 | |
| Total current liabilities | | | 4 | | 4 |
| Total liabilities | | | 4 | | 4 |
| Equity – attributable to equity holders of the Company | | | | | |
| Share capital | 7 | - | | - | |
| Retained earnings | 7 | 54 | | 48 | |
| Total equity | | | 54 | | 48 |
| Total equity and liabilities | | | 58 | | 52 |

These accounts were approved by the board of directors on **21** September 2021 and signed on its behalf by:

The Directors:

- (a) confirm that for the financial period in question the company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the company to obtain an audit of its accounts for the period in question in accordance with section 476 of the Companies Act 2006; and
- (b) acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.



RJ Twigg
Director

Company registration number: 05605493

The notes on pages 10 to 15 form part of these accounts.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Share capital £000 | Retained earnings £000 | Total equity £000 |
|---|--------------------------|------------------------------|-------------------------|
| Balance at 1 January 2020 | - | 48 | 48 |
| Total comprehensive income for the year | - | 20 | 20 |
| Dividends | - | (14) | (14) |
| Balance at 31 December 2020 | - | 54 | 54 |
| Balance at 1 January 2019 | - | 43 | 43 |
| Total comprehensive income for the year | - | 25 | 25 |
| Dividends | - | (20) | (20) |
| Balance at 31 December 2019 | - | 48 | 48 |

The notes on pages 10 to 15 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | Year ended 2020 £000 | Year ended 2019 £000 |
|--|-------|-------------------------------|-------------------------------|
| Cash flows from operating activities | | | |
| Profit for the year | | 20 | 25 |
| Adjustments for: | | | |
| Taxation | 4 | 4 | 6 |
| Operating profit before changes in working capital and provisions | | 24 | 31 |
| (Increase)/ decrease in trade and other receivables | 5 | (3) | 30 |
| Decrease in intercompany receivables | 5 | - | 1 |
| (Decrease) in provisions | 6 | (1) | (8) |
| Net Cash inflows from operating activities | | 20 | 54 |
| Tax paid | | (3) | (11) |
| Net cash inflows from operating activities | | 17 | 43 |
| Net cash flows from investing activities | | | |
| Cash flows from financing activities | | | |
| Dividends paid to parent undertaking | | (14) | (20) |
| Net cash outflows from financing activities | | (14) | (20) |
| Net increase in cash and cash equivalents | | 3 | 23 |
| Cash and cash equivalents at 1 January | | 52 | 29 |
| Cash and cash equivalents at 31 December | | 55 | 52 |

The notes on pages 10 to 15 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 accounting standards in conformity with the requirements of the Companies Act and effective as at 31 December 2020.

During the year the Directors have adopted the following new or amended accounting standards and interpretations, all of which are effective for accounting periods starting on or after 1 January 2020:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- IFRS 16 Rent concessions (Amendment to IFRS 16)

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

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 6 to 9. 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 Directors have undertaken a thorough assessment of the Company's financial forecasts to 31 December 2022, including the continuing impact of Covid-19 on its operations within the UK.

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2020 the Company reported a net profit after tax of £20,000 (2019: £25,000) and at 31 December 2020 had cash balances amounting to £55,000 (2019: £52,000). At the date of signing these accounts, the Company has a similar cash balance and has no external debt.

As a result of the above, the outputs of financial modelling and following careful consideration, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

b) Revenue recognition

Revenue, which excludes value added tax, represents insurance renewal commissions received which are recognised on a cash received basis, which is when all contractual obligations have been fulfilled.

c) Trade and other receivables

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

d) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

e) 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.

f) 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.

The Company recognises an allowance for expected credit losses (ECLs). The Company takes a simplified approach and recognises a loss allowance based on lifetime ECLs at each reporting date. The Company uses a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment. This is applied to third party and intercompany receivables and cash balances.

g) Net financing costs

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

h) 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 6).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. Revenue

All revenue in the Company is considered to originate from contracts with customers. The table below disaggregates the revenue from contracts with customers into the significant service lines. All revenues are derived by the Company in the UK.

| 2020 | Products and services transferred at a point in time £000 |
|---|--|
| Income from sale of financial services products | 24 |
| | <u>24</u> |

| 2019 | Products and services transferred at a point in time £000 |
|---|--|
| Income from sale of financial services products | 31 |
| | <u>31</u> |

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 2020 No. | Year ended 2019 No. |
|-----------|---------------------------|---------------------------|
| Directors | 5 | 5 |
| | <u>5</u> | <u>5</u> |

| | Year ended 2020 £000 | Year ended 2019 £000 |
|---|----------------------------|----------------------------|
| The aggregate payroll costs of these persons were as follows: | | |
| Wages and salaries | - | - |
| | <u>-</u> | <u>-</u> |

The aggregate payroll costs of these persons £nil (2019: £nil). All (2019: all) of the directors are remunerated by other group entities. Their services to the Company are inconsequential to attract a notional charge.

4. Taxation

| | Year ended 2020 £000 | Year ended 2019 £000 |
|--|----------------------------|----------------------------|
| a) Analysis of expense in the year at 19% (2019: 19%) | | |
| Current tax expense | | |
| Current tax at 19% (2019: 19%) | 4 | 6 |
| Total current tax | <u>4</u> | <u>6</u> |
| Total deferred tax | <u>-</u> | <u>-</u> |
| Tax expense | <u>4</u> | <u>6</u> |

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4. Taxation (continued)

b) Factors affecting current tax expense in the year

The tax assessed in the Income Statement is equal to (2019: equal to) the standard UK corporation tax rate as follows:

| | Year ended 2020 £000 | Year ended 2019 £000 |
|--|-------------------------------|-------------------------------|
| Profit before tax | 24 | 31 |
| Tax on profit at UK standard rate of 19% (2019: 19%) | 4 | 6 |
| Tax expense | 4 | 6 |

5. Trade and other receivables

| | 31 December 2020 £000 | 31 December 2019 £000 |
|-------------------------------------|--------------------------------|--------------------------------|
| Trade receivables | 3 | - |
| Amounts due from group undertakings | - | - |
| | 3 | - |

6. Provisions

| | Insurance Commission Clawback 2020 £000 | Insurance Commission Clawback 2019 £000 |
|---------------------------------|---|---|
| At 1 January | 1 | 9 |
| Released during the year | (1) | (8) |
| Provisions made during the year | - | - |
| At 31 December | - | 1 |
| Due within one year | - | 1 |
| Due after one year | - | - |
| | - | 1 |

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.

7. Share capital

| | 31 December 2020 £000 | 31 December 2019 £000 |
|---|-----------------------------|-----------------------------|
| Authorised, called up and fully paid | | |
| 1 Ordinary share of £1 | - | - |
| | - | - |

Management of capital

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

| | 31 December 2020 £000 | 31 December 2019 £000 |
|-------------------|-----------------------------|-----------------------------|
| Capital | | |
| Ordinary shares | - | - |
| Retained earnings | 54 | 48 |
| | 54 | 48 |

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. Share capital (continued)

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. Dividends were paid in the year of £14,000 (2019: £20,000) with the amount paid being £14,000 (2019: £20,000) per share.

8. Related party transactions

RMS Estate Agents Limited owns 100% of the share capital of RMS Mortgage Services Limited. During the year dividends of £14,000 (2019: £20,000) were paid.

9. Capital commitments

The Company had no capital commitments at the year end (2019: £nil).

10. 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 2020 (2019: £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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Financial instruments (continued)

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 2020 £000 | Year ended 2019 £000 |
|---------------------------|----------------------------|----------------------------|
| Cash and cash equivalents | 55 | 52 |
| Trade receivables | 3 | - |
| | <u>58</u> | <u>52</u> |

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. Income is derived from commission on old products sold 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:

| | 2020 £000 | 2019 £000 |
|----------------------|--------------|--------------|
| Commercial customers | <u>3</u> | <u>-</u> |

The Company uses an allowance matrix to measure the expected credit losses (ECLs) of trade receivables, which comprise a large number of small balances. Loss rates are based on actual credit loss experience over the previous year, and adjusted for the Company's view of current economic conditions over the expected lives of the receivables. However, given the low levels of impairment loss experience, the ECL allowance is very small.

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

11. Ultimate parent undertaking

The Company is a wholly owned subsidiary of RMS Estate Agents Limited, which is a 95% owned subsidiary of Connells 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
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