Registered number: 02466320

COMPUTERSHARE MORTGAGE SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

COMPUTERSHARE MORTGAGE SERVICES LIMITED

COMPANY INFORMATION

Directors	P Braithwaite A Jones N Oldfield (appointed 20 August 2018) P Ali (appointed 20 August 2018) R Banks (appointed 24 September 2019) T Franklin (appointed 4 October 2019)
Company secretary	J Dolbear L K Botha
Registered number	02466320
Registered office	Computershare Mortgage Services Limited The Pavilions Bridgwater Road Bristol BS13 8AE
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

COMPUTERSHARE MORTGAGE SERVICES LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2019

Introduction

Computershare Mortgage Services Limited ("CMS") is a leading provider of UK third party mortgage administration services to the financial services sector. The business operates from Crossflatts, Doxford, Skipton and Londonderry in the United Kingdom.

CMS forms part of the Loan Services division within the Computershare group – Computershare Loan Services ("CLS"), with more than 25 years' experience of working with some of the world's largest financial institutions.

Business review

The Directors of CMS report a reduction in the operating profit from £27,366 thousand for the year ended 30 June 2018 to £20,341 thousand for the year ended 30 June 2019. The fall in operating profit reflects a decline in assets under management, increased costs associated with the migration of assets to CLS's standard mortgage administration platform, partly offset by cost savings resulting from management initiatives.

As part of CLS, CMS has a growth strategy comprising four pillars: attract and retain clients, innovate in products and technology, deliver excellent service and inspire its people.

The year to 30 June 2019 saw some key developments in the market these included:

- Challenger banks are struggling to build market share
- Tesco Bank exited the UK Mortgage market in May 2019
- On-going asset sales by key CLS clients - positively the servicing was retained within the CLS group on the majority of assets sold
- On-going asset sales in the Irish market creating opportunities for future growth

CMS's management team has continued to drive underlying costs down (excluding costs associated with the migration of asset) in key areas, notably as a result of continued integration with other companies within the CLS division as well as integration into the Computershare Group.

A number of key successes were achieved in the year including the ongoing reduction in costs. The completion of the migration of assets to CLS's standard mortgage administration platform is a priority to complete.

Principal risks and uncertainties

Regulatory environment

The regulatory environment in which the Company operates continues to be intense but the Directors consider that this provides an opportunity for the Company, as part of CLS, to cement its reputation amongst the industry leaders on regulatory matters.

Market conditions

The UK mortgage market has grown marginally over the last 12 months despite the value of new advances reducing. The Company considers that despite the uncertainty regarding Brexit and its final manifestation there are no material direct financial impacts due to the composition of its supplier, cost base and client revenue streams. The potential indirect impacts of a Brexit such as a downturn in the economic climate are mitigated by the natural hedging within the business due to the differing revenue streams and the ongoing cost reduction programme that is underway within the business.

Despite this the Company is monitoring developments in relation to the Brexit negotiations and will review any final implications or guidance on the future trading relations with its clients and suppliers as these become available.

The Company continues to support UKAR in delivering its publically acknowledged asset disposal programme.

CMS also continue to invest in the control environment focusing on improved operational management information, incentives, training and management development.

Operational risk and operational losses

The primary risk type that CMS is exposed to is Operational Risk. As part of its robust risk management framework, CMS has controls and processes in place to manage operational risk.

Provisions are made for specific operational loss cases as and when the necessary criteria are met (in accordance with IAS 37). Details of the Operational Losses provision can be found in note 19.

Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due and makes provision for Impairment as set out in note 2.12.

Management carefully manages its exposure to credit risk through close client relationships and regular account monitoring. The carrying amount of financial assets net of impairment represents the maximum credit exposure.

At no point in a mortgages lifespan is the Company exposed to any underwriting credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company at all times maintains adequate committed credit facilities, with support from Computershare Limited (Australia), in order to meet all its commitments as and when they fall due. The Directors believe they have minimal exposure to liquidity risk.

Foreign currency risk

The Company is not exposed to foreign exchange risk.

Financial key performance indicators

Financial performance

The results for the year ended 30 June 2019 are shown in the Statement of Comprehensive Income on page 10, and the notes thereto. CMS made an operating profit of £20,341 thousand (2018: £27,366 thousand) for the year ended 30 June 2019.

The fall in operating profit reflects a decline in assets under management, increased costs associated with the migration of assets to CLS's standard mortgage administration platform, partly offset by cost savings resulting from management initiatives.

The balance sheet and cash position improved significantly and remain strong with eligible capital at 30 June 2019 comfortably in excess of the regulatory minimum at 251% (2018:276%) and cash at £12,701 thousand (2018; £26,490 thousand).

Key performance indicators (KPIs)

The following KPIs are used by management to monitor the growth and general financial performance of the business.

	2019	**2018**
Assets under management (year end)	£17.9bn	£20.9bn
Profit for the financial year	£16,457k	£21,936k
Operating profit	£20,341k	£27,366k

The decline in assets under management is due to the migration of assets to CLS's standard mortgage administration platform as part of the integration program and natural attrition in the book as mortgages redeem.

The reduction in profit figure is discussed in the Financial Performance commentary above.

This report was approved by the board on 16 October 2019 and signed on its behalf.

P Ali
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

The Directors present their report and the audited financial statements for the year ended 30 June 2019.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are 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.

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Matters covered in the strategic report

The Company's business review, details of principle risks and uncertainties and the key financial performance indicators are included within the strategic report.

Directors

The Directors of the company who were in office during the year and up to the date of signing of the financial statement were:

P Braithwaite
P Costigan (resigned 20 August 2018)
A Jones
J Pattinson (resigned 31 July 2019)
N Sarkar (resigned 20 August 2018)
G Stran (resigned 25 September 2019)
N Oldfield (appointed 20 August 2018)
P Ali (appointed 20 August 2018)

Future developments

The Company intends to develop the business under the four pillars identified in the strategic report; namely attracting and retaining clients, innovating in products and technology, delivering excellent service and inspiring its people. The Company is monitoring developments in relation to the Brexit negotiations and will review any final guidance on the future trading relations with its clients and suppliers as these become available.

Financial risk management

The Company's operations expose it to a variety of risks that include credit and liquidity risk. Further detail on this is provided in both the strategic report under the principal risks and uncertainties as well as in the notes to the financial statements.

Principal risks and uncertainties

The principal risk faced by the company is the ability to maintain/grow the Assets Under Management and offset the natural decline in the assets managed for existing clients.

Results and dividends

The profit for the year, after taxation, amounted to £16,457 thousand (2018 - £21,936 thousand).

An interim dividend of £16,000 thousand (2018: £13,155) was declared and paid during the year. The Directors do not propose the payment of a final dividend (2018: £nil).

Employees

Details of the number of employees and their related costs can be found in note 8 to the financial statements on page 24.

Political contributions

The Company made no contributions for political purposes in the year ended 30 June 2019 (2018: £nil).

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 236 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased insurance in respect of itself and its directors.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 3. The financial position of the Company and liquidity position are described in the Company financial statements on pages 10 to 33.

Despite the continuing difficult economic environment, the Company has reported an operating profit and is in a net asset position. The Company is a subsidiary undertaking of Computershare Ltd, Computershare Ltd has provided a letter of support confirming their intent to provide such financial support as may be necessary for a period of no less than 12 months from the date of signing these financial statements. On this basis these financial statements have been prepared on a going concern basis.

Subsequent Events

There are no material post balance sheet events to note.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 16 October 2019 and signed on its behalf.

P Ali
Director

Independent auditors' report to the members of Computershare Mortgage Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Computershare Mortgage Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2019, 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

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

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

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

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

Reporting on other information

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

Independent auditors' report to the members of Computershare Mortgage Services Limited

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.

With respect to the Strategic Report and Directors' Report, 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 Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 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 Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 4, 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.

Independent auditors' report to the members of Computershare Mortgage Services Limited

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.

Christopher Weissberg

Christopher Weissberg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
17 October 2019

COMPUTERSHARE MORTGAGE SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £000	2018 £000
Turnover	4	131,315	137,948
Cost of sales		(50,650)	(46,869)
Gross profit		80,665	91,079
Administrative expenses		(64,277)	(67,340)
Other operating income	5	3,953	3,627
Operating profit	6	20,341	27,366
Interest receivable and similar income	9	35	-
Profit before tax		20,376	27,366
Tax on profit	10	(3,919)	(5,430)
Profit for the financial year		16,457	21,936

There was no other comprehensive income for 2019 (2018:£000NIL).

BALANCE SHEET
AS AT 30 JUNE 2019

	Note		2019 £000		2018 £000
Fixed assets					
Negative goodwill	13		(3,258)		(4,958)
			(3,258)		(4,958)
Fixed assets					
Intangible assets	12		3,270		4,976
Tangible assets	14		783		1,942
			795		1,960
Current assets					
Debtors: amounts falling due after more than one year	16	333		295	
Debtors: amounts falling due within one year	16	41,478		39,372	
Cash at bank and in hand		12,701		26,490	
		54,512		66,157	
Creditors: amounts falling due within one year	17	(24,246)		(36,613)	
Net current assets			30,266		29,544
Total assets less current liabilities			31,061		31,504
Creditors: amounts falling due after more than one year			(1,104)		(2,307)
			29,957		29,197
Provisions for liabilities					
Deferred taxation	18	(404)		(374)	
Other provisions	19	(1,592)		(1,367)	
			(1,996)		(1,741)
Net assets			27,961		27,456

COMPUTERSHARE MORTGAGE SERVICES LIMITED
REGISTERED NUMBER: 02466320

BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2019

	Note	2019 £000	2018 £000
Capital and reserves			
Called up share capital	20	1,000	1,000
Other reserves		56	8
Profit and loss account		26,905	26,448
		27,961	27,456

The financial statements were approved and authorised for issue by the board on 16 October 2019, and signed on its behalf.

P Ali
Director

The notes on pages 14 to 33 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 July 2017	1,000	3	17,667	18,670
Comprehensive income for the year				
Profit for the financial year	-	-	21,936	21,936
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	21,936	21,936
Dividends: Equity capital	-	-	(13,155)	(13,155)
Capital contribution in respect of share-based payments charge	-	5	-	5
Total transactions with owners	-	5	(13,155)	(13,150)
At 1 July 2018	1,000	8	26,448	27,456
Comprehensive income for the year				
Profit for the financial year	-	-	16,457	16,457
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	16,457	16,457
Dividends: Equity capital	-	-	(16,000)	(16,000)
Capital contribution in respect of share-based payments charge	-	48	-	48
Total transactions with owners	-	48	(16,000)	(15,952)
At 30 June 2019	1,000	56	26,905	27,961

The notes on pages 14 to 33 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. General information

Computershare Mortgage Services Limited (previously Specialist Mortgage Services Ltd) ("the Company") is a private limited company limited by shares and incorporated in the United Kingdom. The Company is domiciled in the United Kingdom and its registered office is The Pavilions, Bridgwater Road, Bristol, BS13 8AE.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The Directors have taken advantage under section 401 of the Companies Act 2006 not to prepare consolidated financial statements as the Company is included by full consolidation in the consolidated financial statements of its ultimate parent, Computershare Limited (Australia), a company registered in Australia. The financial statements of Computershare Limited (Australia) are publicly available.

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- 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;
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 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 paragraph 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, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Prior period restatement
The prior period comparatives have been restated as explained in Note 16. There is no impact on the prior period result from these restatements and no material effect on the information in the statement of financial position at the beginning of the preceding period, accordingly a third statement of financial position as at the beginning of the preceding period is not presented.

The company has applied the following standards for the first time:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

2.3 Impact of new international reporting standards, amendments and interpretations

IFRS 9

IFRS 9 presents revised guidance on the recognition and measurement of financial instruments. This also includes a new accounting model for credit losses that is applied in the determination of impairment recognised on financial assets. The standard's provisions concerning general hedge accounting have also been revised. IFRS 9 also carries forward the guidance on the recognition and de-recognition of financial instruments from IAS 39. The adoption of IFRS 9 Financial Instruments has resulted in changes to accounting policies, reclassification of certain financial assets, and changes to the impairment model applied. In accordance with the transition provisions set out in IFRS 9, comparative figures have not been restated.

On the date of initial application of IFRS 9, being 1 July 2018, trade and other receivables, cash and

2. Accounting policies (continued)

2.3 Impact of new international reporting standards, amendments and interpretations (continued)

cash equivalents and amounts owed by group undertakings were reclassified. There was no material change to the underlying accounting treatment for the reclassified financial assets, and no change in the carrying amount upon reclassification. No reclassifications were required for financial liabilities.

IFRS 15

During the year the Company assessed in detail the impact of IFRS 15 on the financial statements. The impact assessment covered all the revenue and income streams. The Company concluded that IFRS 15 had an immaterial impact on the existing accounting policies for revenue recognition. In this respect, no adjustments have been made .

The following principal accounting policies have been applied:

2.4 Going concern

The financial statements of the Company have been prepared on a going concern basis, which the Directors believe to be appropriate. Based on the performance and expected outlook of the business, the Directors are satisfied that the Company has adequate resources to continue to trade for the foreseeable future.

2.5 Turnover and other operating income

Turnover is recognised under the principles outlined within IFRS 15. The majority of turnover is earned through the administration of third-party mortgages comprising the underlying servicing of the mortgages and the turnover is billed on a periodic basis. The other turnover stream is client change and on-boarding activity which is derived through agreed client changes outside of the core client service arrangement. These changes support onboarding of incremental new business and subsequent turnover streams. Please see note 2.3 for the impact to the financial statements on adoption of IFRS 15.

A fixed fee is also payable by UK Asset Resolution as part of Computershare's appointment to undertake mortgage servicing activity. The fixed fee is payable over four years for the provision of infrastructure to support core services. Fixed fee revenue is recognised on a percentage of completion method which links the fixed fee revenue recognised to the infrastructure costs incurred in a period as a proportion of the projected total infrastructure costs.

Other operating income is made up of a fixed fee charged to UK Asset Resolution for business as usual IT services incurred.

Turnover is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. This involves following a 5-step model of turnover recognition.

The 5-step model involves identifying the contract with a customer, identifying performance obligations under the contract, determining the transaction price, allocating the transaction price to performance obligations under the contract and recognising turnover when the Company satisfies its performance obligations

The key area of judgement in recognition of turnover is calculating the scale and timing of future incremental revenue streams.

2. Accounting policies (continued)

2.5 Turnover and other operating income (continued)

Turnover is recognised either when the performance obligation in the contract has been performed, or over time as control of the performance obligation is transferred to the customer. For contracts with multiple components to be delivered management applies judgement to consider whether there are separate performance obligations.

Due to the nature of the turnover being derived from mortgage servicing there are no performance obligations in relation to refunds, warranties or similar obligations.

At contract inception the total transaction price is fixed, determined based on management's commercial estimates. Estimates are based upon management's understanding of the complexity of the required service based on their experience of providing similar services. This is then allocated to the identified performance obligations based on the directly incurred development cost of the required service for each contract when those performance obligations are satisfied. Any variations to the scope of the performance obligations are assessed as and when a change is requested, the transaction price is then reassessed.

For some contracts the company incurs development costs in order to meet its performance obligation and these costs are recognised as an asset. The asset is then amortised as turnover is recognised. Judgement is applied in assessing whether these costs are costs to fulfil a contract and this judgement will depend on management's assessment of the nature of the underlying costs and whether they principally relate to a particular contract.

As the customer benefits from the value of the contract throughout the contractual period based upon what the Company do for the customer the output method is appropriately applied by the Company to all turnover streams other than the fixed fee turnover where the cost-to-cost method is applied.

The Company always acts as the principal as there are no arrangements for another party to provide the goods or services.

2.6 Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Customer contracts	-	5	years

2.7 Negative Goodwill

Where the fair value of the identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is presented separately on the balance sheet, immediately below goodwill. Subsequently, the excess up to the fair value of the non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to be benefited.

Direct costs of acquisition are recognised immediately as an expense.

2. Accounting policies (continued)

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	- 20 years
Long-term leasehold property	- term of lease
Plant and machinery	- 3-8 years
Computer equipment	- 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.9 Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Accounting policies (continued)

2.12 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets other than those which meet the criteria to be measured at amortised cost are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised or at fair value through other comprehensive income (FVOCI). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses (ECL) for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial

2. Accounting policies (continued)

2.12 Financial instruments (continued)

liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.15 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.16 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2. Accounting policies (continued)

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The Company makes estimates and assumptions that affect the reported amount of assets and liabilities within the next financial year. The Company has to make judgements in applying its accounting policies which affects the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of suture events that are believed to be reasonable under the circumstances.

The key estimates, assumptions and judgements are set out below:

Valuation of intangibles

Valuations of intangibles are based on expected future cash flows from customer contracts acquired. In determining these future cash flows there are uncertainties due to multiple factors, such as changing future economic conditions and customer retention. As a result of these uncertainties the valuation of intangibles may change over time and are therefore reviewed regularly for impairment (see note 12).

Recognition of turnover

As part of Computershare's appointment by UK Asset Resolution to undertake its mortgage servicing activities, it was agreed that a fixed fee would be payable to Computershare over four years for the provision of infrastructure to support core services under the contract. A single performance obligation has been identified in the contract between the Group and UK Asset Resolution which, under IFRS 15 Revenue from Contracts with Customers, will be satisfied over a period of time. A portion of the fixed fee is recognised as revenue during the period with reference to the percentage of related costs that have been incurred to date.

The Company is required to reassess the related costs which may arise in future and the resulting amount of revenue to be recognised on an annual basis. This reassessment may lead to fluctuations in the amount of the fixed fee recognised as revenue each year. Judgement is required in estimating the total amount of related costs which are expected to be incurred, the percentage of these costs incurred to date and the period over which these costs will be incurred.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £000	2018 £000
Mortgage account servicing (including associated project fees)	131,315	137,948
	131,315	137,948

All turnover arose within the United Kingdom.

5. Other operating income

	2019 £000	2018 £000
Other operating income	3,337	3,627
Profit on disposal of tangible assets	616	-
	3,953	3,627

Other operating income is primarily outsource IT revenue from UKAR.

6. Operating profit and profit before taxation

The operating profit and profit before taxation is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets	76	120
Amortisation of intangible assets, including goodwill	6	6
Exchange differences	2	-

7. Auditors' remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	64	60
	64	60
Fees payable to the Company's auditor and its associates in respect of:		
Services relating to information technology	45	-
Audit related assurance services	160	130
	205	130

8. Employees

The company has no employees (2018:nil), the costs below are in respect of staff dedicated to Computershare Mortgage Services Limited and their costs are recharged from another group company.

Staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	58,363	53,541
	58,363	53,541

The Company has no employees other than the Directors, who did not receive any remuneration (2018 - £NIL).

The emoluments of Mr Braithwaite, Mr Jones, Mr Pattinson and Mr Stran are paid by Homeloan Management Limited which makes no recharge to the company, these individuals are also directors of a number of other companies in the Computershare Group and it is not possible to make an accurate apportionment of their emoluments in respect of each of these companies.

The emoluments of the other directors are paid by Computershare Investor Services PLC which makes no recharge to the company, these individuals are also directors of a number of other companies in the Computershare Group and it is not possible to make an accurate apportionment of their emoluments in respect of each of the companies.

Accordingly, the above details include no emoluments in respect of the directors. There total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of Homeloan Management Limited and Computershare Investor Services PLC respectively.

9. Interest receivable

	2019 £000	2018 £000
Interest receivable from group companies	32	-
Other interest receivable	3	-
	35	-

10. Tax on profit

	2019 £000	2018 £000
Corporation tax		
Current tax on profit before taxation	3,889	4,270
Adjustments in respect of previous periods	-	596
Total current tax	3,889	4,866
Deferred tax		
Origination and reversal of timing differences	34	406
Changes to tax rates	(5)	(43)
Adjustment in respect of previous periods	1	201
Total deferred tax	30	564
Taxation on profit on ordinary activities	3,919	5,430

10. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	20,376	27,366
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	3,871	5,199
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	13	14
Tax rate changes	(5)	(43)
Adjustments to tax charge in respect of prior periods	32	797
Share options	8	-
Group relief	-	(537)
Total tax charge for the year	3,919	5,430

The Company has claimed tax losses of £0 thousand (2018: £2,829 thousand) with a tax effect of £0 thousand (2018: £537 thousand) from fellow subsidiary undertakings for no payment.

Factors that may affect future tax charges

The main UK corporation tax rate is 19% throughout the year ended 30 June 2019, but it will be reduced to 17% from 1 April 2020 following Royal Assent on 15 September 2016. Deferred tax is therefore provided at 17%.

11. Dividends

	2019 £000	2018 £000
Dividends on Ordinary shares - £16.000 (2018: £13.155) per Ordinary Share	16,000	13,155
	16,000	13,155

12. Intangible assets

	Customer contracts £000
Cost	
At 1 July 2018	8,530
At 30 June 2019	8,530
Amortisation	
At 1 July 2018	3,554
Charge for the year	1,706
At 30 June 2019	5,260
Net book value	
At 30 June 2019	3,270
At 30 June 2018	4,976

The intangible asset arose on the Company's entry into the mortgage servicing contract with UKAR during the period. Although the legal form of the arrangement was a series of contractual arrangements, the Directors believe the substance of the transaction was that of a business combination when looked at in conjunction with the Computershare Group taking on the tangible assets and staff of UKAR (and associated know how) at the same time. Therefore when calculating the value of the business combination, not only did the Directors include the value of the tangible assets required, but also ascribed a value to the contract entered into based on the expected future cash flows resulting from that contract.

The Directors believe the appropriate period over which to amortise the intangible is 5 years. Amortisation is charged to administrative expenses in the statement of comprehensive income.

13. Negative goodwill

	2019 £000
Cost	
At 1 July 2018	(8,499)
At 30 June 2019	(8,499)
Amortisation	
At 1 July 2018	(3,541)
Charge for the year	(1,700)
At 30 June 2019	(5,241)
Net book value	
At 30 June 2019	(3,258)
At 30 June 2018	(4,958)

The consideration paid for the transfer of the relevant UKAR assets and liabilities to the Computershare Group was £1. Therefore negative goodwill arose on the transaction to the extent the net assets (including intangible asset in note 12) acquired exceeded this consideration.

In line with the customer contracts intangible asset, it is being amortised over the 5 year period of the contract on which it arose. Amortisation is charged to administrative expenses in the statement of comprehensive income.

The negative goodwill arose as follows:

Fair value of net assets acquired	£8,499 thousand
Consideration	£nil
Negative goodwill on transaction	£8,499 thousand

14. Tangible fixed assets

	Freehold property £000	Long-term leasehold property £000	Plant and machinery £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 July 2018	1,732	131	13	227	2,103
Additions	-	50	-	-	50
Disposals	(1,212)	-	-	-	(1,212)
At 30 June 2019	520	181	13	227	941
Depreciation					
At 1 July 2018	79	11	5	66	161
Charge for the year on owned assets	-	15	4	57	76
Disposals	(79)	-	-	-	(79)
At 30 June 2019	-	26	9	123	158
Net book value					
At 30 June 2019	520	155	4	104	783
At 30 June 2018	1,653	120	8	161	1,942

15. Fixed asset investments

Specialist Mortgage Solutions Ireland Limited ("SMS Ireland") was incorporated in November 2013 with the issued share capital of €2. Following the decision by a Client not to proceed with engaging SMS Ireland relating to a specific contract that followed on from a pilot exercise, management has reviewed the carrying value of SMS Ireland and has impaired the €2 investment.

15. Fixed asset investments (continued)

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Specialist Mortgage Services Ireland Limited	3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82	Ordinary	100%

The aggregate of the share capital and reserves as at 30 June 2019 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	(Loss)
Specialist Mortgage Services Ireland Limited	(330)	(8)

16. Debtors

	2019 £000	2018 £000
Due after more than one year		
Prepayments and accrued income	333	295
	333	295

	2019 £000	2018 Restated £000
Due within one year		
Trade debtors	6,184	7,949
Amounts owed by group undertakings	9,498	11,458
Other debtors	633	3,375
Prepayments and accrued income	25,163	16,590
	41,478	39,372

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The prior period comparative have been restated. A balance of £12,425k has been reclassified from trade debtors to prepayments and accrued income.

17. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Amounts owed to group undertakings	8,653	21,271
Corporation tax	3,859	2,432
Other taxation and social security	915	-
Other creditors	1,094	777
Accruals and deferred income	9,725	12,133
	24,246	36,613

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

18. Deferred taxation

	2019 £000	2018 £000
At beginning of year	(374)	190
(Charged)/ Credited to profit or loss	(30)	(564)
At end of year	(404)	(374)

The provision for deferred taxation is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	28	23
Other differences	(555)	(846)
Temporary differences	123	449
	(404)	(374)

19. Other provisions

	Annual leave provision £000	Service level provision £000	Software licences provision £000	Total £000
At 1 July 2018	890	477	-	1,367
Charged to the profit or loss	(89)	(436)	750	225
At 30 June 2019	801	41	750	1,592

Annual leave provision
A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Service level provision
The provision is made for estimated compensation payments resulting from past operational issues. The amount of provision to be held and the amount of compensation made is determined through internal investigation and agreement with the client on a case by case basis.

It is uncertain when the provision will be fully utilised due to the ongoing nature of internal investigations and discussions with the client.

Software licences provision
This provision covers estimated licencing and support costs not yet invoiced, but expected to be settled in the coming year.

20. Share capital

	2019 £000	2018 £000
Authorised, allotted, called up and fully paid		
999,998 (2018 999,998)) Ordinary shares of £1.00 each	1,000	1,000

21. Pension commitments

Pension costs are paid through another group company.

22. Commitments under operating leases

The Company had no commitments under the non-cancellable operating leases as at the balance sheet date.

23. Related party transactions

The Company undertook no transactions with related parties other than with parties 100% owned within the Group and therefore exempt from disclosure under FRS101.

24. Controlling party

Computershare Mortgage Services Limited is controlled and 100% owned by Computershare Investments (UK) (No.3) Limited incorporated in England and Wales.

The ultimate parent undertaking and ultimate controlling party is Computershare Limited ("Computershare Limited (Australia)"), a company incorporated in Australia under ACN 005485825, which ultimately holds 100% of the share capital in Computershare Mortgage Services Limited.

The smallest and largest group in which Computershare Investments (UK) (No. 3) Limited is a member and for which group financial statements are drawn up is the Computershare Limited (Australia) group. The consolidated financial statements of this group can be obtained from Computershare Limited, 452 Johnston Street, Abbotsford, Victoria 3067, Australia. These may also be found at Computershare's web site www.computershare.com.