

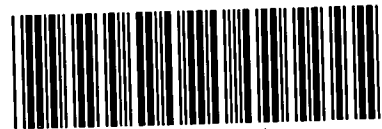
Registered number: 2466320

COMPUTERSHARE MORTGAGE SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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COMPUTERSHARE MORTGAGE SERVICES LIMITED

COMPANY INFORMATION

Directors

P Braithwaite
A Jones
J Pattinson
G Stran
N Oldfield (appointed 20 August 2018)
P Ali (appointed 20 August 2018)

Company secretary

J Dolbear L K Botha

Registered number

2466320

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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COMPUTERSHARE MORTGAGE SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2018

Introduction

Computershare Mortgage Services Limited (previously Specialist Mortgage Services Limited) ("CMS") is a leading provider of business process and Information outsourcing solutions 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 ("CLS"). CLS is the market leader in the UK third party mortgage administration services market, with more than 25 years' experience of working with some of the world's largest financial institutions.

Business review

The Directors of CMS report an increase in the operating profit from £21,091 thousand for the year ended 30 June 2017 to £27,366 thousand for the year ended 30 June 2018.

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. Good progress is being made on each pillar.

The year to 30 June 2018 saw some key developments in the market these included:

- Continued growth of challenger banks a number of whom have chosen to outsource to CLS
- On-going assets sales by key CLS clients – positively the servicing was retained on all assets sold
- On-going asset sales in the Irish market creating opportunities for future growth

CMS's management team has continued to drive costs down 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 namely the Company successfully supported UKAR deliver their publically acknowledged asset disposal programme whilst at the same time ensuring CLS retained all of the servicing and gaining a number of high profile new clients as a consequence.

CMS also successfully migrated a number of clients' assets from its own platform to the CLS standard mortgage administration platform as part of the overall CLS integration program.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

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 as the industry leader on regulatory matters.

Market conditions

The UK mortgage market has remained stable over the last 12 months with modest growth in some areas and slight contraction in others.

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.

The Company continues to support UKAR in delivering their publically acknowledged asset disposal programme which as noted above has broadened the client base.

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 and in 2018 introduced a new Enterprise Risk system to further enhance the risk and control environment.

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 2.9.

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 (see note 17).

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 in order to meet all its commitments as and when they fall due. The Directors believe they have minimal exposure to liquidity risk.

The Company's financial liabilities are disclosed in note 17, including amounts due to the ultimate parent undertaking and fellow subsidiary companies, which are repayable on demand.

Foreign currency risk

The Company is not exposed to foreign exchange risk.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

Financial key performance indicators

Financial performance

The results for the year ended 30 June 2018 are shown in the Statement of Comprehensive Income on page 10, and the notes thereto. CMS made an operating profit of £27,366 thousand (2017: £21,091 thousand) for the year ended 30 June 2018.

The improved financial performance is due to the successful execution of the integration program and increase in sales of complementary product lines to the client base.

The balance sheet and cash position improved significantly during the year with eligible capital at 30 June 2018 comfortably in excess of the regulatory minimum at 276% (2017:195%) and cash at £26,490 thousand (2017: £28,737 thousand).

Key performance indicators (KPIs)

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

	2018	2017
Assets under management (year end)	£20.9bn	£36.1bn
Profit for the financial year	£21,936k	£17,816k
Operating profit	£27,366k	£21,091k

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 increase in profit figure is discussed in the Financial Performance commentary above.

This report was approved by the board on 15 October 2018 and signed on its behalf.



P Ali
Director

COMPUTERSHARE MORTGAGE SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Directors present their report and the audited financial statements for the year ended 30 June 2018.

Directors' responsibility 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
N Sarkar (resigned 20 August 2018)
G Stran
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.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

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.

Results and dividends

The profit for the financial year amounted to £21,936 thousand (2017 - £17,816 thousand).

An interim dividend of £13,155 thousand (2017: £nil) was declared and paid during the year. The Directors do not propose the payment of a final dividend (2017: £nil).

Employees

Details of the number of employees and their related costs can be found in note 8 to the financial statements on page 23.

Disabled employees

The group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The group gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee involvement

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its market leading position. The group encourages the involvement of employees by means of various communication channels, including a web based intranet and employee opinion surveys.

Political contributions

The Company made no contributions for political purposes in the year ended 30 June 2018 (2017: £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.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

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 234 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.

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 31.

Despite the continuing difficult economic environment, the Company has reported an operating profit and is in a net asset position. The Directors consider that the outlook remains favourable for the Company in the forthcoming year.

For these reasons, the Directors continue to adopt the going concern basis of accounting in the financial statements.

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 15 October 2018 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 2018 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 2018; the statement of comprehensive income and the statement of changes in equity for the year ended 30 June 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

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

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

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 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

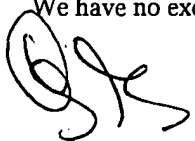
Other required reporting

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.



Sue Morling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
15 October 2018

COMPUTERSHARE MORTGAGE SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 £000	2017 £000
Turnover	4	137,948	133,790
Cost of sales		(46,869)	(50,273)
Gross profit		<u>91,079</u>	<u>83,517</u>
Administrative expenses		(67,340)	(66,221)
Other operating income	5	<u>3,627</u>	<u>3,795</u>
Operating profit and profit before taxation	6	<u>27,366</u>	<u>21,091</u>
Tax on profit	9	<u>(5,430)</u>	<u>(3,275)</u>
Profit for the financial year		<u><u>21,936</u></u>	<u><u>17,816</u></u>

The above results were derived from continuing operations.

The company has no other comprehensive income for the year other than the profit for the financial year stated above.

COMPUTERSHARE MORTGAGE SERVICES LIMITED
REGISTERED NUMBER: 2466320

BALANCE SHEET
AS AT 30 JUNE 2018

	Note	2018 £000	2017 £000
Fixed assets			
Negative goodwill	12	(4,958)	(6,658)
		<u>(4,958)</u>	<u>(6,658)</u>
Intangible assets	11	4,976	6,682
Tangible assets	13	1,942	2,035
		<u>1,960</u>	<u>2,059</u>
Current assets			
Debtors: amounts falling due after more than one year	15	295	368
Debtors: amounts falling due within one year	15	39,372	22,854
Cash at bank and in hand		26,490	28,737
		<u>66,157</u>	<u>51,959</u>
Creditors: amounts falling due within one year	16	(36,613)	(30,905)
		<u>29,544</u>	<u>21,054</u>
Net current assets			
		<u>31,504</u>	<u>23,113</u>
Total assets less current liabilities			
		<u>29,197</u>	<u>19,602</u>
Creditors: amounts falling due after more than one year		(2,307)	(3,511)
		<u>29,197</u>	<u>19,602</u>
Provisions for liabilities			
Deferred taxation	18	(374)	
Other provisions	19	(1,367)	(932)
		<u>(1,741)</u>	<u>(932)</u>
Net assets		<u>27,456</u>	<u>18,670</u>

COMPUTERSHARE MORTGAGE SERVICES LIMITED
REGISTERED NUMBER: 2466320

BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2018

	Note	2018 £000	2017 £000
Capital and reserves			
Called up share capital	20	1,000	1,000
Other reserves		8	3
Profit and loss account		26,448	17,667
Total equity		<u>27,456</u>	<u>18,670</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 October 2018.



P Ali
Director

The notes on pages 15 to 31 form part of these financial statements.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 July 2017	1,000	3	17,667	18,670
Profit for the financial year	-	-	21,936	21,936
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 30 June 2018	1,000	8	26,448	27,456

COMPUTERSHARE MORTGAGE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 July 2016	1,000	1	(149)	852
Profit for the financial year	-	-	17,816	17,816
Total comprehensive income for the year	-	-	17,816	17,816
Capital contribution in respect of share-based payments charge	-	2	-	2
At 30 June 2017	1,000	3	17,667	18,670

The notes on pages 15 to 31 form part of these financial statements.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. General information

Computershare Mortgage Services Limited (previously Specialist Mortgage Services Ltd) ("the Company") is a private limited company limited by shares and incorporated and domiciled in the United Kingdom.

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.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the 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;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- 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 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The following principal accounting policies have been applied:

2.3 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.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.4 Turnover and other operating income

Turnover, which excludes value added tax, represents total invoiced sales of the Company. Servicing fees are typically invoiced at the end of the month in which the services are performed. Where contractual arrangements require invoices to be raised less frequently, revenue is accrued (or deferred as appropriate) such that the revenue recognised in the period reflects that period's actual sales.

Turnover for services outside of core contractual obligations (such as ad hoc projects) is recognised according to the degree of completion of the work. The stage of completion is assessed by reference to surveys of work completed and comparison with the agreed scope of works. A fixed fee is 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

Where servicing fees include a fixed element, this is similarly recognised within turnover using the percentage of completion method.

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

2.5 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
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2.6 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 as negative 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.

Financial assets measured at amortised cost comprise investments, trade debtors, amounts owed by group undertakings, other debtors and cash at bank.

2.7 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.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

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.

2.8 Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 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.

2.10 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.

2.11 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

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.11 Financial Instruments (continued)

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

2.12 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.

2.13 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. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.14 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.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.15 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.

2.16 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.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 future 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.

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. Based on the adopted percentage of completion method which links the fixed fee to the Infrastructure costs incurred over the applicable period, the Group is required to reassess the projected costs and the related fee recognition on an annual basis. This reassessment may lead to fluctuations in the fixed fee amounts recognised in future years. Judgement is required with regard to the total cost estimate, the percentage of costs incurred to date and the length of the applicable recognition period.

4. Turnover

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

	2018 £000	2017 £000
Mortgage account servicing (Including associated project fees)	137,948	133,790
	<u>137,948</u>	<u>133,790</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2018 £000	2017 £000
Other operating Income	3,627	3,795
	<u>3,627</u>	<u>3,795</u>

Other operating income is primarily outsource IT revenue from UKAR.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6. Operating profit and profit before taxation

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

	2018	2017
	£000	£000
Depreciation of tangible fixed assets	120	38
Amortisation of intangible assets, including goodwill	6	6
	<u>126</u>	<u>44</u>

7. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2018	2017
	£000	£000
Fees for assurance services	130	112
Fees for the audit of the Company	60	70
	<u>190</u>	<u>182</u>

COMPUTERSHARE MORTGAGE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

8. Employees

The company has no employees (2017:nil), the costs below are in respect of staff dedicated to Computershare Mortgage Services Limited and their costs are recharged by another group company. The 2017 numbers have been restated to better reflect the costs of employees providing services to the company.

Staff costs were as follows:

	2018	Restated 2017
	£000	£000
Wages and salaries	53,541	62,616
	<u>53,541</u>	<u>62,616</u>

The Company has no employees other than the Directors, who did not receive any remuneration (2017 - £NIL).

The average monthly number of employees, including the Directors, during the year/period was as follows:

2018	2017
No.	No.
<u>0</u>	<u>0</u>

The emoluments of Mr Bralthwaite, 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. Their 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.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

9. Tax on profit

	2018 £000	2017 £000
Corporation tax		
Current tax on profit before taxation	4,270	4,808
Adjustments in respect of previous periods	596	-
Total current tax	<u>4,866</u>	<u>4,808</u>
Deferred tax		
Origination and reversal of timing differences	406	(1,864)
Changes to tax rates	(43)	177
Adjustment in respect of previous periods	201	154
Total deferred tax	<u>564</u>	<u>(1,533)</u>
Taxation on profit on ordinary activities	<u>5,430</u>	<u>3,275</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.75%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	<u>27,366</u>	<u>21,091</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.75%)	5,199	4,165
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	14	15
Tax rate changes	(43)	177
Adjustments to tax charge in respect of prior periods	797	171
Group relief	(537)	(1,253)
Total tax charge for the year	<u>5,430</u>	<u>3,275</u>

The Company has claimed tax losses of £2,829 thousand (2017: £6,346 thousand) with a tax effect of £537 thousand (2017: £1,253 thousand) from fellow subsidiary undertakings for no payment.

Factors that may affect future tax charges

COMPUTERSHARE MORTGAGE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

9. Tax on profit (continued)

The main UK corporation tax rate is 19% throughout the year ended 30 June 2018, 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%.

10. Dividends

	2018	2017
	£000	£000
Dividends on Ordinary shares - £13.155 (2017: nil) per Ordinary Share	13,155	-
	<u>13,155</u>	<u>-</u>

11. Intangible assets

	Customer contracts £000
Cost	
At 1 July 2017	8,530
At 30 June 2018	<u>8,530</u>
Amortisation	
At 1 July 2017	1,848
Charge for the year	1,706
At 30 June 2018	<u>3,554</u>
Net book value	
At 30 June 2018	<u>4,976</u>
At 30 June 2017	<u>6,682</u>

COMPUTERSHARE MORTGAGE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

11. Intangible assets (continued)

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.

12. Negative goodwill

	2018 £000
Cost	
At 1 July 2017	(8,499)
At 30 June 2018	<u>(8,499)</u>
Accumulated amortisation	
At 1 July 2017	(1,841)
Credit for the year	(1,700)
At 30 June 2018	<u>(3,541)</u>
Net book value	
At 30 June 2018	<u><u>(4,958)</u></u>
<i>At 30 June 2017</i>	<u><u>(6,658)</u></u>

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 11) acquired exceeded this consideration.

In line with the customer contracts intangible, 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

COMPUTERSHARE MORTGAGE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

13. Tangible assets

	Freehold property £000	Long-term leasehold property £000	Plant and machinery £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 July 2017	1,732	103	13	227	2,075
Additions	-	28	-	-	28
At 30 June 2018	1,732	131	13	227	2,103
Depreciation					
At 1 July 2017	41	-	-	-	41
Charge for the year on owned assets	38	11	5	66	120
At 30 June 2018	79	11	5	66	161
Net book value					
At 30 June 2018	1,653	120	8	161	1,942
At 30 June 2017	1,692	103	13	227	2,035

Included within freehold property is land of £980 thousand. Land is not depreciated.

14. 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.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Specialist Mortgage Services Ireland Limited	Ordinary	100%	Mortgage Servicing

COMPUTERSHARE MORTGAGE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

14. Fixed asset investments (continued)

The aggregate of the share capital and reserves as at 30 June 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £000	Profit/ (loss) £000
Specialist Mortgage Services Ireland Limited	(322)	(6)
	<u>(322)</u>	<u>(6)</u>

The address of the registered office of Specialist Mortgage Services Ireland Limited is: Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland.

15. Debtors

	2018 £000	2017 £000
Amounts falling due after more than one year		
Prepayments and accrued income	295	368
	<u>295</u>	<u>368</u>
	2018 £000	2017 £000
Amounts falling due within one year		
Trade debtors	20,374	18,557
Amounts owed by group undertakings	11,458	834
Other debtors	3,375	730
Prepayments and accrued income	4,165	2,543
Deferred taxation	-	190
	<u>39,372</u>	<u>22,854</u>

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

COMPUTERSHARE MORTGAGE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

16. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Amounts owed to group undertakings	21,271	5,175
Corporation tax	2,432	2,010
Other creditors	777	4,695
Accruals and deferred income	12,133	19,025
	<u>36,613</u>	<u>30,905</u>

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

17. Financial instruments

	2018 £000	2017 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	61,697	48,858
	<u>61,697</u>	<u>48,858</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(22,048)	(9,870)
	<u>(22,048)</u>	<u>(9,870)</u>

Financial assets measured at amortised cost comprise of trade debtors, amounts owed by group undertakings, other debtors and cash at bank.

Financial liabilities measured at amortised cost comprise of amounts owed to group undertakings and other creditors.

18. Deferred taxation

	2018 £000	2017 £000
At beginning of year	190	(1,343)
(Charged)/ Credited to profit or loss	(564)	1,533
At end of year/period	<u>(374)</u>	<u>190</u>

COMPUTERSHARE MORTGAGE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

18. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	23	34
Other differences	(846)	(1,135)
Temporary differences	449	1,291
	<u>(374)</u>	<u>190</u>

19. Other provisions

	Annual leave provision £000	Other provisions £000	Total £000
At 1 July 2017	575	357	932
Charged to profit or loss	315	120	435
At 30 June 2018	<u>890</u>	<u>477</u>	<u>1,367</u>

20. Share capital

	2018 £000	2017 £000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
999,998 (2017 999,998) Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

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.

COMPUTERSHARE MORTGAGE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.