

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

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for the Year Ended 31 December 2019**

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Premier Mortgage Service Limited

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

DIRECTORS:

C Binmore
J Cowan
N Criticos
M L F Golunska
S J Harris
R Liston
D S Miller
C A Williams

SECRETARY:

Aviva Company Secretarial Services Limited

REGISTERED OFFICE:

Pixham End
Dorking
Surrey
RH4 1QA

REGISTERED NUMBER:

05011650 (England and Wales)

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP
No 1 Spinningfields
1 Hardman Square
Manchester
M3 3EB

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

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

REVIEW OF THE COMPANY'S BUSINESS

Principal activities

The principal activity of the Company in the year under review was that of a mortgage distributor in the United Kingdom. The Company is an appointed representative of the fellow Sesame Bankhall Group ("SBG") subsidiary company Sesame Limited.

SBG forms part of the Aviva plc group of companies.

Significant events

During the year the Company paid an interim dividend of £2.5m to Sesame Bankhall Group Limited, the immediate parent company.

Financial position and performance

The financial position of the Company at 31 December 2019 is shown in the Statement of Financial Position on page 16, with the trading results shown in the Statement of Profit or Loss on page 14.

The Company's net assets have decreased by £1.24m due to the dividend paid exceeding the profit for the year.

Revenue for the year of £11.18m (2018: £11.04m) was consistent with management's expectations.

Section 172(1) Statement and our Stakeholders

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

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

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

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

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

REVIEW OF THE COMPANY'S BUSINESS - continued

Our culture

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

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

Key strategic decisions in 2019

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

- On 17 January 2019 SBG launched a new apprenticeship scheme in partnership with training and education specialists Simply Academy, to help advisory firms across Sesame Network, PMS Mortgage Club, and Bankhall to bolster their staff development and recruitment.
- On 8 March 2019 PMS Mortgage Club and Sesame Network launched a new Later Life Lending Hub to update advisers on the latest lender developments in the emerging Retirement Interest Only (RIO) market, including a quick reference guide with an overview of the key information advisers need to know, along with access to a panel of later life and equity release lenders.
- On 16 May 2019 PMS Mortgage Club launched a new financial crime and mortgage fraud prevention hub to keep advisers updated on the latest emerging threats and provide practical guidance to help combat potential fraudulent mortgage activity.
- On 22 May 2019 PMS Mortgage Club and Sesame Network launched the Rewire Routines campaign to help improve advisers' protection conversations with their customers.
- On 4 June 2019 PMS Mortgage Club and Sesame Network announced a support package for advisers operating in the new build sector with the launch of a broker helpdesk, backed by new guidance and educational support.
- On 20 June 2019 PMS Mortgage Club and Sesame Network launched a new product transfer hub to help advisers prepared for the mortgage and refinance opportunities arising in the second half of 2019.
- On 4 November 2019 PMS Mortgage Club and Sesame Network announced a new series of specialist mortgage events for advisers taking place at 11 venues across the UK in November and December 2019. The sessions were supported by 48 lenders and helped advisers to explore and understand the latest innovations in the specialist market, along with new trends and developments.

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

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

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

REVIEW OF THE COMPANY'S BUSINESS - continued

Stakeholder Engagement

(i) Employees

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

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

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

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

(ii) Customers and clients

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

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

(iii) Suppliers

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

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

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

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

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

REVIEW OF THE COMPANY'S BUSINESS - continued

Stakeholder Engagement

(iv) Communities

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

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

(v) Shareholders

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

(vi) Our regulators

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

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

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

REVIEW OF THE COMPANY'S BUSINESS - continued

Future outlook

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider that the principal risks and uncertainties facing the Company are no different to those generally applicable to businesses of its size and complexity. These include, but are not restricted to, changes in the market within which the Company operates and the effect on its proposition of advances in technology and the general economic conditions for the financial intermediary.

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

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

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

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

KEY PERFORMANCE INDICATORS (KPIs)

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

	2019	2018
	£'000	£'000
Revenue	11,182	11,039
Operating profit	1,205	1,043
Profit before income tax	1,264	1,085
Profit for the year	1,264	1,085
Net assets	17,604	18,840

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

A further significant non-financial KPI is the number of active PMS members. During 2019 there were 2,554 active PMS members (2018: 2,661).

ON BEHALF OF THE BOARD:

ML F Golunska - Director

28 July 2020

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

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

Certain information that is required in the Report of the Directors under the Companies Act has been disclosed in the Strategic Report on page 2.

DIVIDENDS

An interim dividend of £0.155 per share (2018: £nil per share) was paid during the year. The directors recommend that no final dividend be paid.

The total distribution for the year will be £2.50m (2018: £nil).

EVENTS SINCE THE END OF THE YEAR

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

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report:

J Cowan

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

C Binmore - appointed 28 November 2019
N Criticos - appointed 28 November 2019
D S Miller - appointed 28 November 2019
C A Williams - appointed 28 November 2019
J M Kelly - resigned 15 December 2019
S J Harris - appointed 18 December 2019
R Liston - appointed 23 December 2019
M L F Golunska - appointed 20 April 2020

DIRECTORS AND OFFICERS - INDEMNITY AND INSURANCE

The directors have the benefit of an indemnity provision contained in the Company's Articles of Association, subject to the conditions set out in the Companies Act 2006. This is a 'qualifying third party indemnity' provision as defined in section 234 of the Companies Act 2006.

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985, which continue to apply in relation to any provision made before 1 October 2007. This indemnity is a "qualifying third party indemnity" for the purposes of sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the Report of the Directors by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

POLITICAL DONATIONS AND EXPENDITURE

The Company made no charitable or political donations (2018: £nil).

EMPLOYEES

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

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

FINANCIAL RISK MANAGEMENT

The enterprise risk management framework for Premier Mortgage Service Limited is articulated by reference to three key areas:

- Culture, leadership and setting the right tone;
- Risk identification and the management cycle; and
- The demonstration of our effective risk management by outcomes evidenced through reports and analysis.

Culture, leadership and tone comprises the following components:

- Appropriate board and committee structures with defined terms of reference;
- Defined delegated authority limits and decision matrices;
- Strategic and operational plans; and
- The suite of policies which set out the limits of exposure in respect of each risk area.

The risk identification and management cycle is the process by which the Company identifies and evaluates risk, plans and implements strategic initiatives, controls exposures and monitors outcomes.

Demonstration of the effectiveness of risk management is evidenced through:

- Analysis of progress against plans using key performance indicators and key risk indicators
- Regular reports on risks and issues.

As a result of its normal business activities, the Company is exposed to a variety of risks, including operational, market, liquidity and credit risk.

Credit risk

The exposure of the Company to credit risk primarily relates to the recovery of trade receivables. A formal process for recovery of these receivables is in place and management monitor this process on a continual basis.

Market risk

The Company is exposed to any major economic downturn which causes poor liquidity in the mortgage market as this is likely to reduce a consumer's propensity to arrange new mortgages. The directors monitor the performance of the business and market as a whole on a continual basis in order to ensure the Company is well placed to respond appropriately to any significant changes.

Liquidity risk

Liquidity risk is the risk that a firm, although solvent, either does not have a available sufficient financial resources to enable it to meet its obligations as they fall due, or can only secure such resources at excessive cost. The Company has a healthy cash surplus and positive net current assets. As such, the directors consider the Company to have minimal exposure to liquidity risk. Notes on the impact of COVID-19 on the market and the Company is included in Note 17 Events After the Reporting Period.

STATEMENT OF GOING CONCERN

The Company has a net asset position and a cash surplus, and it is forecast to be profitable in future periods with positive cash flows. As a result, the directors believe that the Company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Consequently, they continue to adopt the going concern basis of accounting in the preparation of the annual financial statements.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Report of the Directors' and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

INDEPENDENT AUDITORS

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

ON BEHALF OF THE BOARD:

ML F Golunska - Director

28 July 2020

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Premier Mortgage Service Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Report of the Directors and Audited Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Profit or Loss, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS - continued

Reporting on other information - continued

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Heather Varley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

28 July 2020

Statement of Profit or Loss
for the Year Ended 31 December 2019

		2019 £'000	2018 £'000
CONTINUING OPERATIONS	Note		
Revenue		11,182	11,039
Cost of sales		<u>(2,210)</u>	<u>(2,314)</u>
GROSS PROFIT		8,972	8,725
Administrative expenses		<u>(7,767)</u>	<u>(7,682)</u>
OPERATING PROFIT		1,205	1,043
Finance income	5	<u>59</u>	<u>42</u>
PROFIT BEFORE INCOME TAX	6	1,264	1,085
Income tax	7	<u>-</u>	<u>-</u>
PROFIT FOR THE YEAR		<u><u>1,264</u></u>	<u><u>1,085</u></u>

The notes on pages 19 to 29 form part of these financial statements

Statement of Comprehensive Income
for the Year Ended 31 December 2019

	2019 £'000	2018 £'000
PROFIT FOR THE YEAR	1,264	1,085
OTHER COMPREHENSIVE INCOME	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>1,264</u>	<u>1,085</u>

The notes on pages 19 to 29 form part of these financial statements

Premier Mortgage Service Limited (Registered number: 05011650)

**Statement of Financial Position
As at 31 December 2019**

	Note	2019 £'000	2018 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	<u>9,253</u>	<u>11,535</u>
CURRENT ASSETS			
Trade and other receivables	10	915	908
Cash and cash equivalents	11	<u>11,245</u>	<u>10,601</u>
		<u>12,160</u>	<u>11,509</u>
TOTAL ASSETS		<u><u>21,413</u></u>	<u><u>23,044</u></u>
EQUITY			
Called up share capital	12	16,100	16,100
Retained earnings	13	<u>1,504</u>	<u>2,740</u>
TOTAL SHAREHOLDERS' FUNDS		<u><u>17,604</u></u>	<u><u>18,840</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	3,809	3,394
Tax payable		<u>-</u>	<u>810</u>
		<u>3,809</u>	<u>4,204</u>
TOTAL LIABILITIES		<u><u>3,809</u></u>	<u><u>4,204</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>21,413</u></u>	<u><u>23,044</u></u>

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

ML F Golunska - Director

The notes on pages 19 to 29 form part of these financial statements

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

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	16,100	1,655	17,755
Changes in equity			
Profit and total comprehensive income for the year	<u>-</u>	<u>1,085</u>	<u>1,085</u>
Balance at 31 December 2018	<u>16,100</u>	<u>2,740</u>	<u>18,840</u>
Changes in equity			
Dividends	-	(2,500)	(2,500)
Profit and total comprehensive income for the year	<u>-</u>	<u>1,264</u>	<u>1,264</u>
Balance at 31 December 2019	<u><u>16,100</u></u>	<u><u>1,504</u></u>	<u><u>17,604</u></u>

The notes on pages 19 to 29 form part of these financial statements

**Statement of Cash Flows
for the Year Ended 31 December 2019**

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from operations	18	3,895	1,951
Tax paid		<u>(810)</u>	<u>(44)</u>
Net cash generated from operating activities		<u>3,085</u>	<u>1,907</u>
Cash flows from investing activities			
Interest received		<u>59</u>	<u>42</u>
Net cash generated from investing activities		<u>59</u>	<u>42</u>
Cash flows from financing activities			
Equity dividends paid		<u>(2,500)</u>	<u>-</u>
Net cash used in financing activities		<u>(2,500)</u>	<u>-</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	19	10,601	8,652
Cash and cash equivalents at end of year	19	<u>11,245</u>	<u>10,601</u>

The notes on pages 19 to 29 form part of these financial statements

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

1. **STATUTORY INFORMATION**

Premier Mortgage Service Limited is a private company limited by shares. The Company is incorporated in the United Kingdom, registered in England and Wales, and domiciled in the United Kingdom. The Company's registered office is Pixham End, Dorking, Surrey, RH4 1QA.

2. **ACCOUNTING POLICIES**

Basis of preparation

The financial statements have been prepared on a going concern basis and approved by the directors in accordance with the Companies Act 2006, International Financial Reporting Standards (IFRSs) as adopted by the EU, and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The financial statements have been prepared on the historical cost basis and have been prepared in pounds sterling.

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

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

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

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

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company

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

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

Going concern

The Company has a net asset position and a cash surplus, and it is forecast to be profitable in future periods with positive cash flows. As a result, the directors believe that the Company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Consequently, they continue to adopt the going concern basis of accounting in the preparation of the annual financial statements.

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

2. ACCOUNTING POLICIES - continued

Revenue recognition

Revenue includes fees earned from the distribution of mortgages and sale of GI and Protection products by directly authorised client firms. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, amounts refunded, VAT and other sales related taxes.

Revenue is recognised at the point performance obligations, such as the completion of an individual mortgage sale, are satisfied. There are no significant differences between the timing of cash collection and the completion of performance obligations.

The transaction price relating to sale of GI and Protection products is variable due to potential future clawback of commission received on an indemnity basis. Variable consideration, such as commission subject to clawback arrangements, is only recorded as revenue to the extent it is highly probable that it will not be subject to significant reversal. The value of consideration likely to be clawed back by product providers is calculated with reference to recent past experience of such reversals.

Dividend income

Dividend income from investments is recognised when the shareholder's rights to receive payments have been established.

Expense recognition

All expenses are recognised in the Statement of Profit or Loss as incurred.

Intangible assets

Intangible assets are recognised at cost and amortised over their useful economic life. The value of the PMS intangible asset at initial recognition was based on a valuation of the income streams acquired, calculated by an external independent specialist, using a discounted future cash flow calculation as the basis.

This intangible asset is being amortised on a straight-line basis over the estimated useful economic life of each of the income streams acquired which range between 6 and 10 years.

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

2. ACCOUNTING POLICIES - continued

Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted or substantively enacted at the Statement of Financial Position date are used to value the deferred tax assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available.

Deferred tax is provided on any temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes are not provided in respect of any temporary differences arising from the initial recognition of goodwill, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither an accounting profit nor taxable profit or loss at the time of the transaction.

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively. Deferred tax related to any fair value re-measurement of available for sale investments, owner-occupied properties, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the Statement of Financial Position as a deferred tax asset or liability.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables do not carry any interest and are carried at their amortised cost, less appropriate allowances for estimated irrecoverable amounts.

Trade payables and other payables

Trade and other payables are not interest bearing and are stated at their amortised cost which is not materially different to cost and approximates to fair value.

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

3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Critical accounting estimates include those used in the calculation of deferred income relating to variable consideration.

The deferred income calculation relating to variable consideration received uses internal management information on lapsed policies to estimate the level of potential indemnity commission clawback likely given the level of indemnity commission cash received at a given point in time.

4. **EMPLOYEES AND DIRECTORS**

The Company had no employees in the current or prior year. All staff engaged in the trading activities of the Company are employed by Sesame Services Limited, the SBG service company. The costs associated with these staff members are recharged to the Company based on the proportion of time they spend working directly on the activities of the Company.

The costs recharged to the Company during the year were as follows:

	2019 £'000	2018 £'000
Wages and salaries	2,903	2,385
Social security costs	355	337
Other pension costs	<u>133</u>	<u>114</u>
	<u>3,391</u>	<u>2,836</u>

The directors holding office during the year were employed and remunerated by Sesame Services Limited with their emoluments then apportioned between certain SBG companies. This recharge of directors' emoluments is based on an estimate of the share of directors' services provided to each company.

Directors' emoluments recharged to the Company during the year were:

	2019 £'000	2018 £'000
Aggregate emoluments	464	845
Pension costs	<u>18</u>	<u>29</u>
Total remuneration	<u>482</u>	<u>874</u>

The number of directors accruing benefits under pension schemes during the year was:

	2019	2018
Money purchase pension scheme	2	2

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

4. **EMPLOYEES AND DIRECTORS - continued**

The emoluments of the highest paid director, attributable to the Company, were as follows:

	2019	2018
	£'000	£'000
Aggregate emoluments	272	415
Other pension costs	<u>17</u>	<u>12</u>
Total remuneration	<u>289</u>	<u>427</u>

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

5. **FINANCE INCOME**

	2019	2018
	£'000	£'000
Deposit account interest	<u>59</u>	<u>42</u>

6. **PROFIT BEFORE INCOME TAX**

Auditors' remuneration for audit services of £41,700 excluding VAT (2018: £40,200) has been borne by a fellow SBG subsidiary, Sesame Services Limited, and recharged to the Company. There were no non-audit fees in either year.

7. **INCOME TAX**

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 December 2019 nor for the year ended 31 December 2018.

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

7. **INCOME TAX - continued**

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Profit before income tax	<u>1,264</u>	<u>1,085</u>
Profit before income tax multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	240	206
Effects of:		
Expenses not deductible for tax purposes	369	369
Group relief for nil consideration	<u>(609)</u>	<u>(575)</u>
Tax expense	<u>-</u>	<u>-</u>

Finance Act 2016 introduced legislation reducing the UK corporation tax rate from 1 April 2020 to 17%. In the Budget of 11 March 2020, the UK Government reversed this rate reduction, announcing that the UK corporation tax rate will remain at 19% from 1 April 2020 and this was substantively enacted on 17 March 2020.

As the Company has no deferred tax assets or liabilities, any future changes in tax rates have no impact on the net assets of the Company as at 31 December 2019.

8. **DIVIDENDS**

	2019 £'000	2018 £'000
Ordinary £1 shares		
Interim	<u>2,500</u>	<u>-</u>

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

9. INTANGIBLE ASSETS

	PMS intangible £'000
COST	
At 1 January 2019 and 31 December 2019	<u>16,100</u>
ACCUMULATED AMORTISATION	
At 1 January 2019	4,565
Amortisation for year	<u>2,282</u>
At 31 December 2019	<u>6,847</u>
NET BOOK VALUE	
At 31 December 2019	<u>9,253</u>
At 31 December 2018	<u>11,535</u>

On 5 December 2016 the Company acquired the PMS business from Bankhall Support Services Limited for consideration of £16.1m. The consideration value was based on a valuation of the income streams acquired by an external independent specialist using a discounted future cash flow calculation as the basis. The consideration given comprised £16.1m of ordinary shares issued to Bankhall Support Services Limited on the acquisition date.

The value of the PMS intangible asset at initial recognition was based on the valuation of the income streams acquired. This intangible asset is being amortised on a straight-line basis over the estimated useful economic life of each of the income streams acquired which range between 6 and 10 years. The amortisation charge for the current year is included within administrative expenses in the Statement of Profit or Loss.

10. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Current:		
Trade receivables	506	349
Prepayments and accrued income	<u>409</u>	<u>559</u>
	<u>915</u>	<u>908</u>

As at 31 December 2019 no trade receivables were past due and therefore no provision was required against receivable balances (2018: £nil). The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The Company has applied the simplified approach allowed under IFRS 9 Financial Instruments. Lifetime expected losses on these receivables are considered to be negligible.

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

11. CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Bank current account	<u>11,245</u>	<u>10,601</u>

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £'000	2018 £'000
16,100,001 (2018 - 16,100,001)	Ordinary £1 shares	£1	<u>16,100</u>	<u>16,100</u>

Ordinary share capital is classified as equity if the shares are non-redeemable by the shareholder and any dividends are discretionary and are recognised as distributions within equity.

13. RESERVES

	Retained earnings £'000
At 1 January 2019	2,740
Profit for the year	1,264
Dividends	(2,500)
At 31 December 2019	<u>1,504</u>

14. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Current:		
Trade payables	47	42
Amounts owed to group undertakings	902	740
Other payables	1,149	970
Accruals and deferred income	<u>1,711</u>	<u>1,642</u>
	<u>3,809</u>	<u>3,394</u>

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

14. **TRADE AND OTHER PAYABLES - continued**

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

Included within accruals and deferred income is a deferred income balance of £1.023m (2018: £1.033m) recognised under IFRS 15 relating to indemnity commission received on an indemnity basis which is likely to be clawed back in future periods.

15. **ULTIMATE PARENT COMPANY**

The Company's immediate parent undertaking is Sesame Bankhall Group Limited, a company incorporated and domiciled in England and Wales.

The ultimate parent entity and controlling party is Aviva plc, a public limited Group incorporated and domiciled in England and Wales.

The smallest group in which the results of the Company were consolidated for the year was that headed by Aviva plc. Copies of Aviva plc financial statements are available on application to the Group Company Secretary, Aviva plc, St Helens, 1 Undershaft, London, EC3P 3DQ, and on the Aviva plc website at www.aviva.com.

16. **RELATED PARTY DISCLOSURES**

	2019	2018
	£'000	£'000
Included within amounts owed to group undertakings are:		
Bankhall Support Services Limited	402	555
Sesame Services Limited	<u>499</u>	<u>185</u>
	<u>902</u>	<u>740</u>

During the year there have been management charges, intercompany recharges, and intercompany account settlements between SBG companies. The purpose of the management and intercompany recharges is to recognise expenses in the correct statutory company. During the year Sesame Services Limited, the SBG service company, charged £5.5m (2018: £5.4m) of management charges to the Company. These management charges include overheads and staff costs incurred by Sesame Services Limited which relate to the trading activity of the Company.

During the year the Company paid an amount of £2.2m (2018: £2.3m) to Bankhall Support Services Limited, a fellow SBG subsidiary, relating to GI and Protection sales earned by the Company which originated from client firms of Bankhall Support Services Limited. This income is disclosed within Cost of Sales in the Statement of Profit or Loss.

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

17. **EVENTS AFTER THE REPORTING PERIOD**

COVID-19

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

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

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

Reduction in issued share capital

On 18 June 2020 the ordinary share capital of the Company was reduced by £7,000,000 by cancelling and extinguishing 7,000,000 fully paid ordinary shares of £1 each such that immediately after the capital reduction the Company had an issued share capital of £9,101,001 comprising 9,100,001 fully paid ordinary shares of £1 each.

18. **RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	2019	2018
	£'000	£'000
Profit before income tax	1,264	1,085
Depreciation charges	2,282	2,282
Provisions	-	(941)
Finance income	<u>(59)</u>	<u>(42)</u>
	3,487	2,384
Increase in trade and other receivables	(7)	(262)
Increase/(decrease) in trade and other payables	<u>415</u>	<u>(171)</u>
Cash generated from operations	<u>3,895</u>	<u>1,951</u>

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

19. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2019

	31/12/19	1/1/19
	£'000	£'000
Cash and cash equivalents	<u>11,245</u>	<u>10,601</u>

Year ended 31 December 2018

	31/12/18	1/1/18
	£'000	£'000
Cash and cash equivalents	<u>10,601</u>	<u>8,652</u>