

**Report of the Directors and
Audited Financial Statements for the Year Ended 31 December 2012
for
Gateway Specialist Advice Services
Limited**

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for the Year Ended 31 December 2012**

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**Company Information
for the Year Ended 31 December 2012**

DIRECTORS:

J C Dear
A P Megson
P Hooper
C J Rhodes

SECRETARY

Friends Life Secretarial Services Limited

REGISTERED OFFICE

Pixham End
Dorking
Surrey
RH4 1QA

REGISTERED NUMBER:

07077821 (England and Wales)

AUDITORS

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

**Report of the Directors
for the Year Ended 31 December 2012**

The Directors present their report and the audited financial statements of Gateway Specialist Advice Services Limited (the "Company") for the year ended 31 December 2012

PRINCIPAL ACTIVITY

The principal activity of the Company in the period under review was that of the provision of financial advice on pensions and equity release products to principally UK residents. The Company is subject to Financial Conduct Authority ("FCA") regulation as an appointed representative of Sesame Limited.

REVIEW OF BUSINESS

During 2012 the Company secured two significant new contracts which contributed to an increase in turnover to £1.2m for the year (2011: £0.8m). The Company achieved a notable increase in lead generation with 1,671 referrals in 2012 compared to 531 for 2011. Average conversion rates remained consistent at around the benchmark figure of 40%.

Following the Retail Distribution Review ("RDR") the advice market is likely to prove challenging for the Company, however it continues to work closely with affinity partners in order to maximise revenue opportunities going forwards.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report.

A P Megson
C J Rhodes

Other changes in directors holding office are as follows:

J C Dear - appointed 29 February 2012
N Kelly - resigned 31 October 2012
M A Couzens - appointed 31 October 2012 - resigned 28 February 2013
P Hooper - appointed 25 April 2013

Changes in the Secretary over the period from 1 January 2012 are as follows:

D Monger - resigned 27 April 2012
Friends Life Secretarial Services Limited - appointed 27 April 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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. 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.

**Report of the Directors
for the Year Ended 31 December 2012**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

In accordance with section 487 of the Companies Act 2006, the Company has dispensed with the obligation to reappoint its auditor annually and Ernst & Young LLP ("E&Y") will therefore continue in office

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'P Hooper', written over a horizontal line.

P Hooper - Director

16 September 2013

Report of the Independent Auditors to the Shareholders of Gateway Specialist Advice Services Limited

We have audited the financial statements of Gateway Specialist Advice Services Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, Balance Sheet and related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement as set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

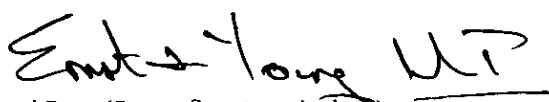
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Richard Page (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Bristol

18 September 2013

**Profit and Loss Account
for the Year Ended 31 December 2012**

	Notes	2012 £'000	2011 £'000
TURNOVER		1,207	819
Cost of sales		<u>516</u>	<u>297</u>
GROSS PROFIT		691	522
Administrative expenses		<u>837</u>	<u>796</u>
OPERATING LOSS	3	(146)	(274)
Interest payable and similar charges		<u>30</u>	<u>19</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(176)	(293)
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u>(176)</u>	<u>(293)</u>

The notes form part of these financial statements

Balance Sheet
31 December 2012

	Notes	2012 £'000	2011 £'000
FIXED ASSETS			
Intangible assets	5	1,000	1,059
Tangible assets	6	<u>8</u>	<u>-</u>
		1,008	1,059
CURRENT ASSETS			
Debtors	7	144	25
Cash in hand		<u>69</u>	<u>105</u>
		213	130
CREDITORS			
Amounts falling due within one year	8	<u>189</u>	<u>116</u>
NET CURRENT ASSETS		<u>24</u>	<u>14</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,032	1,073
CREDITORS			
Amounts falling due after more than one year	9	(649)	(519)
PROVISIONS FOR LIABILITIES	10	<u>(13)</u>	<u>(8)</u>
NET ASSETS		<u>370</u>	<u>546</u>
CAPITAL AND RESERVES			
Called up share capital	11	200	200
Share premium	12	2,000	2,000
Profit and loss account	12	<u>(1,830)</u>	<u>(1,654)</u>
SHAREHOLDERS' FUNDS		<u>370</u>	<u>546</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved by the Board of Directors on 16 September 2013 and were signed on its behalf by

P Hooper - Director

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 December 2012**

1 ACCOUNTING POLICIES

Basis of Accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Principles (Financial Reporting Standard for Smaller Entities)

The principal accounting policies, which have been applied consistently throughout the year, are set out below

Going Concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate as the Company is able to draw upon considerable financial resources - the Company has obtained funding support from both parent companies which can be drawn down up to a limit of £400,000

Furthermore, the Company has reduced its operating costs and secured new sources of business which the directors believe will result in profitable trading in future periods. This is reflected in the improvement in the loss before tax figure of £176,000 (2011 £293,000)

As a consequence the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so for a period of at least 12 months from the date of approval of these financial statements

Based on this the directors believe that it remains appropriate to prepare the financial statements on a going concern basis

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that may affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

Exemption from preparing a cash flow statement

Exemption has been taken from preparing a cash flow statement on the grounds that the Company qualifies as a small company

Turnover

Turnover, principally comprising commission income, represents the amounts, excluding value added tax where applicable, derived from products sold and accepted by providers of such products, from the Company's principal activity, together with other sundry income and relates to continuing operations in the United Kingdom

Commission turnover is recognised when it becomes due

Goodwill

Goodwill arising on the purchase of assets represents the excess of the fair value of the consideration given, over the fair value of the identifiable net assets acquired

Goodwill is being amortised over its estimated useful economic life of 20 years in accordance with applicable accounting standards. An impairment review of goodwill will be carried out by the directors if events, or a change in circumstances, indicate that the carrying value of goodwill may be impaired

No impairment to goodwill was identified in the year ended 2012 (2011 £nil)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

1 ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided on a straight line basis in order to write off each asset over its estimated useful life. The estimated useful life is 3 years.

Deferred tax

Deferred tax is provided using the full provision method following the Company's adoption of FRS 19 "Deferred Tax". Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax in the future.

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Provisions for liabilities and charges

The Company has recognised provisions for future costs that it expects to incur as a result of past transactions, actions or commitments that had taken place and been notified at the balance sheet date.

2 DIRECTORS' EMOLUMENTS

The directors of the Company have been remunerated by other companies who are the controlling parties of the Company.

The services of the directors to the Company are considered incidental to their responsibilities elsewhere within each joint venture party's groups and as such, no amounts have been recharged to the Company for directors' remuneration.

3 OPERATING LOSS

The operating loss is stated after charging

	£'000 2012	£'000 2011
Auditors remuneration	<u>8</u>	<u>8</u>

4 TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2012 nor for the year ended 31 December 2011.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

4 TAXATION - continued

Factors affecting the tax charge

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

	2012 £'000	2011 £'000
Loss on ordinary activities before tax	<u>(176)</u>	<u>(293)</u>
Loss on ordinary activities multiplied by the applicable rate of corporation tax in the UK of 20% (2011 - 20.25%)	(35)	(59)
Effects of		
Imputed interest on related party loan	(6)	(5)
Unrecognised tax losses	29	64
Amortisation of intangible asset	<u>12</u>	<u>-</u>
Current tax charge	<u>-</u>	<u>-</u>

The Company has cumulative unrecognised tax losses of £1,748,714 (2011 £1,631,421). A deferred tax asset has not been recognised due to the uncertainty of the timing of future profits to utilise the tax losses against

5 INTANGIBLE FIXED ASSETS

GOODWILL	2012 £'000	2011 £'000
COST		
At 1 January and 31 December 2012	<u>1,059</u>	<u>1,059</u>
AMORTISATION		
At 1 January and 31 December 2012	-	-
Charge for the year	<u>59</u>	<u>-</u>
As at 31 December	<u>59</u>	<u>-</u>
NET BOOK VALUE		
As at 31 December	<u>1,000</u>	<u>1,059</u>

Goodwill is being amortised on a straight line basis over its estimated useful economic life in accordance with applicable accounting standards

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

6 TANGIBLE FIXED ASSETS

	Plant and machinery £'000
COST	
Additions	<u>9</u>
At 31 December 2012	<u>9</u>
DEPRECIATION	
Charge for year	<u>1</u>
At 31 December 2012	<u>1</u>
NET BOOK VALUE	
At 31 December 2012	<u>8</u>

7 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Trade debtors	<u>144</u>	<u>25</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Trade creditors	60	64
Taxation and social security	11	7
Other creditors	<u>118</u>	<u>45</u>
	<u>189</u>	<u>116</u>

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £'000	2011 £'000
Other creditors	<u>649</u>	<u>519</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - continued

The amounts falling due after more than one year relate to loan arrangements due to Sesame Limited and Partnership Group Holdings Limited

£400,000 of the outstanding balance relates to loan arrangements with Sesame Limited

Of the £400,000 outstanding, £200,000 relates to a loan made in 2010 with an interest rate of 0.7% which is not repayable on demand nor for a period of at least 12 months

A further loan of £150,000 was made by Sesame Limited to the Company during 2011. This loan bears interest at a rate of 7.5% and is not repayable on demand nor for a period of at least 12 months

A further loan of £50,000 was made by Sesame Limited to the Company during 2012. This loan bears interest at a rate of 7.5% and is not repayable on demand nor for a period of at least 12 months

£200,000 of the outstanding balance relates to loan arrangements with Partnership Group Holdings Limited

A loan of £150,000 was made by Partnership Group Holdings Limited to the Company during 2011. This loan bears an interest rate of 7.5% and is not repayable on demand nor for a period of at least 12 months

A loan of £50,000 was made by Partnership Group Holdings Limited to the Company during 2012. This loan bears an interest rate of 7.5% and is not repayable on demand nor for a period of at least 12 months

Interest of £49,123 has been accrued on these loans and is included in the closing balance due at 31 December 2012

Further information relating to amounts owed to group undertakings is detailed in the Related Parties Disclosures in Note 14

10 PROVISIONS FOR LIABILITIES

COMPLAINTS PROVISION

	2012 £000's	2011 £000's
At 1 January	8	9
Charged/(released) to profit and loss account	5	(1)
At 31 December	<u>13</u>	<u>8</u>

In line with other Independent Financial Advisers and in accordance with generally accepted accounting principles, the Company only recognises a provision for the cost of complaints which meet the following criteria:

The complaint has been notified at the balance sheet date and there is a probable expectation of an outflow of economic benefit

Once a complaint is received, the directors' best estimate of the costs associated with the complaint are provided for. This provision includes amounts for the anticipated cost of reviewing the notified complaints and offering redress where appropriate. In establishing the period end provision, assumptions have been made regarding each of these based on recent actual experience. As a result, the actual cost, which includes the administrative cost of handling the complaints, could be significantly different to that for which provision has been made.

Once a complaint has been identified, there is a non-uniform period of time for investigation and client acceptance. This affects the timing and uncertainty of transfer of economic benefit.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

11 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value	2012 £'000	2011 £'000
100,000	A Shares	£1	100	100
100,000	B Shares	£1	<u>100</u>	<u>100</u>
			<u>200</u>	<u>200</u>

12 RESERVES

	Profit and loss account £'000	Share premium £'000	Totals £'000
At 1 January 2012	(1,654)	2,000	346
Deficit for the year	<u>(176)</u>	<u>-</u>	<u>(176)</u>
At 31 December 2012	<u>(1,830)</u>	<u>2,000</u>	<u>170</u>

13 ULTIMATE PARENT COMPANY

The Company is a joint venture between Sesame Limited and Partnership Group Holdings Limited with an equal shareholding. Both companies are incorporated in Great Britain and registered in England and Wales.

As an equal shareholding joint venture, there is no ultimate parent company as neither shareholder is able to exert greater influence than the other.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

14 RELATED PARTY DISCLOSURES

Amounts due to controlling parties	2012 £'000	2011 £'000
Sesame Limited	426	361
Partnership Group Holdings Limited	<u>223</u>	<u>158</u>
	<u>649</u>	<u>519</u>

During the period the Company received further loans totalling £50,000 from Sesame Limited and a loan of £50,000 from Partnership Group Holdings Limited

These loans are considered related party transactions by virtue of both Sesame Limited and Partnership Group Holdings Limited being the controlling parties of the Company

Interest accrued on these loans at the balance sheet date is as follows

	2012 £'000	2011 £'000
Sesame Limited	26	11
Partnership Group Holdings Limited	<u>23</u>	<u>8</u>
	<u>49</u>	<u>19</u>

Further details on the conditions of the loan agreements and interest charged can be found in Note 8 above

During the period Partnership Group Holdings Limited paid fees to the Company of £148,180 (2011 £91,750) as part of a commercial agreement which was negotiated on an arm's length basis