

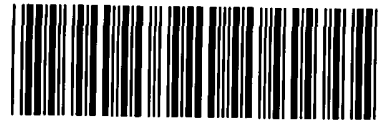
PETER ALAN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

(Registered Number 2073153)

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Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2016.

INTRODUCTION AND OVERVIEW

Peter Alan is a private limited company incorporated in England & Wales, registered number 2073153.

Peter Alan provides estate agency, mortgage services, lettings, conveyancing and ancillary services to participants in the UK residential property market. The business operates from 27 (2015: 25) branches under the Peter Alan brands and All Wales Auction.

Details of financial instruments and associated risks are provided in the Group Strategic Report and Note 20 to the financial statements.

DIRECTORS

The Directors who served during the year were:

A Barry
R S Shipperley
D C Livesey
R J Twigg
D K Plumtree

DIVIDENDS

During the year an interim dividend of £600k (2015: £Nil) was paid and dividends of £861k (2015: £Nil) were received. (£597k from Thomas George Cardiff Limited &, £135k from Mead Property Management Services Limited and £129k from Marina Quay Rentals Limited and Marina Quays Limited)

EMPLOYEES

It is Company policy to provide employees with information concerning their roles and responsibilities and the trading performance of the Company. This policy is to ensure opportunities are available at every level to improve employees' and corporate performance. Regular meetings are held which involve directors, managers and staff.

CHARITABLE AND POLITICAL DONATIONS

The Company made charitable donations of £1,300 in 2016 (2015:£nil). The company made no political donations in 2016 (2015:£nil).

DISABLED PERSONS

The Company continues to recognise its social and statutory duty to employ disabled persons and will do all that is practicable to meet this responsibility.

Full consideration will be given to the recruitment of disabled persons, where a disabled person can adequately fulfil the requirements of the job.

If an employee becomes disabled he or she will continue wherever possible to be employed in the same job. If this action is not practicable or possible, then every effort will be made to find suitable alternative employment.

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



RJ Twigg
Director

3 March 2017
Cumbria House
16-20 Hockliffe Street
Leighton Buzzard
Bedfordshire
LU7 1GN

Strategic Report

BUSINESS REVIEW

The UK residential property market experienced buoyant conditions during the first half of the year, with strong levels of demand from buyers aided by a rush amongst second home buyers to complete transactions before the changes to Stamp Duty Land Tax, effective on 1 April 2016. The UK's Brexit decision created a great deal of uncertainty and a fall in sales activity was experienced for two to three months around the date of the vote, which gradually recovered by the end of the year.

The Company EBITDA was £1,688k which was a 193% increase on the prior year. Total income grew by 12.06% from £10,564k to £11,838k and costs by 5.55% from £10,099k to £10,660k.

The Company expanded in 2016 by purchasing 2 businesses Marina Quay Limited and Johnathan Coombes at a cost of £556k and hived up Thomas George Cardiff Limited & Mead Property Management Services Limited.

We continued to invest in our lettings and mortgage services operations, the benefits are visible in the income figures with mortgage service income increasing this year by 49% and lettings income by 17%. In the core business we saw a fall in our instructions by 4% and exchanges by 4%, however New Homes & Second Hand income was in line with the previous year.

Objectives and strategy of the Company

The Company's objectives are to maximise the long term value and revenue for its shareholder and to maintain the delivery of the high quality and flexible service required to meet the various demands of its customers.

Operational performance and key performance indicators

The Directors monitor the business at monthly board meetings.

Operational review

	2016 £000	2015 £000	Change %
Total Fees and commissions	11,838	10,564	12
EBITDA	1,688	875	93
Profit before Tax	2,041	472	332
Movement in:			
Estate agency exchanges	-4%	-4%	
Applicants registered	+42%	-6%	
Lettings occupied units	+11%	-4%	
Number of mortgages arranged	+70%	-6%	

Risks and uncertainties

The Company's objective is to appropriately manage all the risks that arise from its activities. Connells Limited, the immediate parent undertaking and Skipton Building Society, the ultimate holding undertaking, have a formal structure for managing risks throughout the group, which applies to all subsidiaries.

This has three elements:

- The Company's risk appetite is documented in detailed policy risk statements, which are reviewed and approved annually by the Board.
- The primary responsibility for managing risk and ensuring appropriate controls are in place lies with the Company's management. The ultimate parent undertaking, Skipton Building Society, through its risk and compliance function provides monitoring and oversight on behalf of the Society's Board.
- The Board Audit Committee of Skipton Building Society oversees the effectiveness of the risk management framework and the control environment through Skipton Group's Internal Audit function, whose reports are also provided to the Company's Board.

Strategic Report *(continued)*

In common with other estate agencies, the company is highly operationally geared. Performance is affected by transaction volumes in the UK residential housing market. In the short term, many costs are fixed and so a fall in income has an impact on profits and cash flows. Therefore the company's policy is to retain sufficient cash to ensure that any future deterioration in trading can be funded without recourse to external borrowing.

The continuing healthy housing market is being assisted by the current low interest rate environment and the availability of attractive mortgage rates from lenders. While the outlook is for low interest rates to continue in the short term, a period of interest rate increases may have a negative impact on the market.

Estate agency is also a people business and as such is reliant on the ability, training, skills and motivation of its people. A key risk to the business is the possibility of losing key people, particularly senior managers and Directors. In order to combat this, the Board ensure that service agreements, remuneration packages, and human resources policies are designed to attract, motivate and retain high quality people.

By order of the board



RJ Twigg
Director

3 March 2017

Cumbria House
16-20 Hockliffe Street
Leighton Buzzard
Bedfordshire
LU7 1GN

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU 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 judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PETER ALAN LIMITED

We have audited the financial statements of Peter Alan Limited for the year ended 31 December 2016 as set out on pages 8 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, 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 members those matters we are required to state to them in an auditor's report 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 members, 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 set out on page 6, 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, and express an opinion on, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; 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 Directors' Report and Strategic Report for the financial year is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' Report and Strategic Report:

- We have not identified material misstatements in those reports; or
- In our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.



10 March 2017

David BurrIDGE (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 2016 £000	Year ended 2015 £000
Revenue	1	11,838	10,564
Operating Expenses		<u>(10,660)</u>	<u>(10,099)</u>
Profit from operations		1,178	465
Presented as:			
Earnings before interest, tax, depreciation, amortisation		1,688	875
Depreciation of property, plant and equipment		(355)	(410)
Amortisation of intangibles		<u>(155)</u>	<u>-</u>
Operating profit		1,178	465
Finance income	3	863	7
Finance costs	4	<u>-</u>	<u>-</u>
Profit before tax		2,041	472
Tax expense	6	<u>(278)</u>	<u>(127)</u>
Profit for the year		<u>1,763</u>	<u>345</u>

In the current year the Company acquired the trade and assets of Marina Quay Rentals Limited and Marina Quay Limited. (2015: No Acquisition) In both the current and proceeding year the Company had no discontinued operations.

There were no recognised income and expense items in the current year (2015: £Nil) other than those reflected in the above Income Statement.

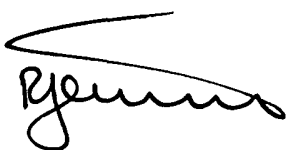
The notes on pages 12 to 24 form part of these financial statements.

Statement of Financial Position

AT 31 DECEMBER 2016

	Notes	£000	31 December 2016 £000	£000	31 December 2015 £000
Non-current assets					
Property, plant and equipment	7	1,626		1,627	
Investments	8	-		1,882	
Intangible assets	9	643		19	
Deferred tax assets	12	48		77	
Total non-current assets			2,317		3,605
Current assets					
Trade and other receivables	10	1,204		1,445	
Cash and cash equivalents		669		1,229	
Total current assets			1,873		2,674
Total assets			4,190		6,279
Current liabilities					
Trade and other payables	11	1,345		2,949	
Tax liabilities		239		10	
Total current liabilities			1,584		2,959
Non-current liabilities					
Provisions	13	124		119	
Total non-current liabilities			124		119
Total liabilities			1,708		3,078
Equity – attributable to equity holders of the company					
Share capital	15	770		770	
Other reserve	15	(1,882)		-	
Retained earnings	15	3,594		2,431	
Total equity			2,482		3,201
Total equity and liabilities			4,190		6,279

These accounts were approved by the board of directors on 3 March 2017 and signed on its behalf by:



RJ Twigg
Director

Company registration number: 2073153

The notes on pages 12 to 24 form part of these accounts.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital £000	Other Reserve £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2016	770	-	2,431	3,201
Total income for the year	-	-	1,763	1,763
Dividends	-	-	(600)	(600)
Write down of investment upon hive up	-	(1,882)	-	(1,882)
Balance at 31 December 2016	770	(1,882)	3,594	2,482
Balance at 1 January 2015	770	-	2,086	2,856
Total income for the year	-	-	345	345
Balance at 31 December 2015	770	-	2,431	3,201

The notes on pages 12 to 24 form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 2016 £000	Year ended 2015 £000
Cash flows from operating activities			
Profit for the year		1,763	345
Adjustments for:			
Depreciation of property, plant and equipment	7	355	410
Amortisation of intangibles	9	70	-
Write off of intangible assets on small business asset purchases	9	85	-
Finance income	3	(2)	(7)
Dividends Received		(861)	-
Finance expense		-	-
Profit/Loss on disposal of property, plant and equipment	2	3	(48)
Taxation	6	278	127
Operating profit before changes in working capital and provisions		1,691	827
Decrease / (increase) in trade and other receivables		319	760
Increase / (decrease) in trade and other payables		(100)	491
(Decrease) / increase in intercompany payable	11	75	(2,175)
(Decrease) / increase in provisions	13	5	(11)
Cash (outflow) / inflow from operations		1,990	(108)
Interest Paid		-	-
Tax paid		(130)	(133)
Net cash (outflow) / inflow from operating activities		1,860	(241)
Cash flows from investing activities			
Interest Received		2	7
Purchase of property, plant and equipment	7	(357)	(464)
Purchase of business assets, net of cash acquired – Marina Quay		(327)	-
Purchase of intangibles		(85)	-
Proceeds on disposal of property, plant and equipment		-	48
Net cash outflow from investing activities		(767)	(409)
Cash flows from financing activities			
Repayment of borrowings		(1,885)	-
Dividends paid		(600)	-
Dividends received		832	-
Net cash (outflow)/inflow from financing activities		(1,653)	-
Net (decrease) / increase in cash and cash equivalents		(560)	(650)
Cash and cash equivalents at 1 January		1,229	1,879
Cash and cash equivalents at 31 December		669	1,229

The notes on pages 12 to 24 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Peter Alan Limited (the "Company") is a company incorporated, registered and domiciled in the UK. The following accounting policies have been applied consistently in these Company's accounts:

a) Basis of accounting

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The financial statements are presented in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as adopted by the EU and effective at 31 December 2015. There have been no new accounting policies adopted in the year.

Measurement convention

These financial statements are prepared on the historical cost basis.

Currency presentation

These financial statements are presented in pounds sterling and, except where otherwise indicated, have been rounded to the nearest one thousand.

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 Review on pages 4 to 5. The financial position of the Company, its cash flows, and liquidity position are shown on pages 8 to 11. In addition, the Directors Report and notes to these financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has sufficient financial resources and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully in the current economic outlook, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

b) Revenue recognition

Revenue, which excludes value added tax, represents total invoiced sales of the Company and is recognised as follows:

- Estate Agency sales commissions, new homes, land sales and auctions income is recognised on the date contracts are exchanged.
- Property management income is recognised when cash is received, which reflects the point when income is earned and contractual obligations have been fulfilled.
- Revenue on mortgage procurement fees is recognised on completion of the mortgage transaction, when all contractual obligations have been fulfilled.
- Insurance commission income is recognised upon fulfilment of contractual obligations with a provision for future clawback repayment in the event of early termination by the customer.

c) Property, plant and equipment

Property, plant and equipment are stated in the Statement of Financial Position at cost less accumulated depreciation and impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives at the following rates:

Freehold buildings	2%
Freehold buildings improvements	10%
Long leasehold buildings	2% or over life of lease
Short leasehold buildings	Over life of lease
Motor Vehicles	25%
Furniture, fittings and office equipment	10%-15%

d) Goodwill

Goodwill arising on the acquisition of businesses represents the excess of the fair value of consideration over the fair value of identifiable net assets and contingent liabilities acquired at the date of acquisition. Goodwill is calculated after also taking into account the fair value of contingent liabilities of the acquiree.

In accordance with IAS 36, *Impairment of Assets*, goodwill is not amortised but is tested for impairment at each year end or when there is an indication of impairment.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

The recoverable amount of goodwill is determined as the higher of its fair value less costs to sell and its value in use. The value in use calculations are carried out by discounting the future cash flows of the cash generating unit ("CGU") and comparing this to its value in use. Future cash flows are based upon approved profit budgets for the next five years (adjusted for depreciation and amortisation) and assumed growth thereafter for the next 10 years of 2.5%. The Company estimates discount rates based on a current cost of capital of the business. Impairment of goodwill is recognised where the present value of future cash flows is less than its carrying value. A fifteen year time horizon has been used to reflect that businesses are held for the long term.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

e) Intangible assets

Intangible assets are stated at their purchase price together with any incidental expenses of acquisition less amortisation. Amortisation is charged to the Income Statement in line with the expected profits over the estimated useful lives of intangible assets. Intangible assets are amortised from the day they are available for use. The estimated useful lives are as follows:

Customer contracts and relationships	4 years
--------------------------------------	---------

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

f) Trade and other receivables

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

g) Trade and other payables

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

h) Operating leases

Costs of operating leases are charged to the Income Statement on a straight-line basis over the lease term.

i) Taxation

Income tax on the profits for the year comprises current tax and deferred tax. Income tax is recognised in the income statement except where items are recognised directly in other comprehensive income, in which case the associated income tax is recognised via equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the year end, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of Financial Position liability method, which recognises temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the year end.

j) Employee benefits

Certain permanent employees are members of the Peter Alan Limited defined contribution pension scheme - a stakeholder scheme, the assets of which are held separately from those of the Company, as independently administered funds. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement as incurred.

k) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash comprises cash in hand and loans and advances to credit institutions repayable on demand, and cash and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. The Statement of Cash Flows has been prepared using the indirect method.

l) Net financing costs

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

m) Provisions for liabilities and charges

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

n) Critical accounting judgements and estimates

The Company makes estimates and assumptions regarding the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

- Taxation - significant estimates are required in determining the provision for corporation tax.
- Provisions – certain critical judgments have been made in applying the Company's accounting policies in relation to closed branch and onerous lease provisions (note 13), provisions for clawback of insurance commission and impairment provisions on trade receivables (note 10).

The dilapidations provision is accrued on the basis of amounts identified at the date of property acquisition, less any subsequent expenditure, or where a section 412 notice or schedule of dilapidations has been received from the landlord. Provision is made for properties with non-cancellable leases where the Company no longer occupies the property. The provision represents the rent to the end of the lease, less any projected rental income from subletting the properties.

The provision for insurance commission clawback is estimated based upon anticipated cancellation rates of term insurance policies.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. Expenses and auditor's remuneration

Included in profit are the following:

Depreciation of property, plant and equipment	355	410
Amortisation of intangibles	155	-
Profit on sale of property, plant and equipment	3	(48)
Staff costs (see note 5)	6,576	6,069
Rentals payable under operating leases		
- Land and buildings	537	498
- Motor Vehicles	205	195

Auditor's remuneration and expenses:

Audit of these financial statements	23	18
All other services	8	6

3. Financial income

	Year ended 2016 £000	Year ended 2015 £000
Interest Receivable	2	7
Dividends received	861	-
	<u>863</u>	<u>7</u>

4. Finance costs

	Year ended 2016 £000	Year ended 2015 £000
Interest payable	-	-

5. Staff numbers and costs

The average monthly number of persons employed by the Company (including directors) during the year was as follows:

	Year ended 2016 No.	Year ended 2015 No.
Sales	202	174
Administration	37	41
	<u>239</u>	<u>215</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 2016 £000	Year ended 2015 £000
Wages and salaries	5,910	5,448
Social security costs	579	528
Other pension costs	87	93
	<u>6,576</u>	<u>6,069</u>

Directors' emoluments

	Year ended 2016 £000	Year ended 2015 £000
Directors' emoluments	162	136
Company contributions to defined contribution pension plans	6	5
	<u>168</u>	<u>141</u>

Four (2015: four) of the directors are remunerated by other group companies.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Taxation

	Year ended 2016 £000	Year ended 2015 £000
a) Analysis of expense in the year at 20% (2015: 20.25%)		
Current tax expense		
Current tax at 20% (2015: 20.25%)	289	124
Adjustment for prior years	3	2
Total current tax	292	126
Deferred tax charge / (credit)		
Current Deferred Tax	(18)	(10)
Adjustment in respect of prior periods	4	11
Total deferred tax	(14)	1
Tax expense	278	127

b) Factors affecting current tax expense in the year

The tax assessed in the Income Statement is higher (2015: higher) than the standard UK corporation tax rate because of the following factors:

Profit before tax	1,180	472
Tax on profit at UK standard rate of 20% (2015: 20.25%)	236	96
Effects of:		
Adjustments in respect of prior years	7	13
Expenses not deductible for tax purposes	30	17
Income not taxable	-	(8)
Corporation tax rate change	5	9
Tax expense	278	127

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. Property, plant and equipment

	Land and Buildings £000	Motor Vehicles £000	Furniture and Equipment £000	Total £000
Cost				
At 1 January 2016	2,235	351	4,245	6,831
Additions	130	159	68	357
Disposals	-	(20)	-	(20)
At 31 December 2016	<u>2,365</u>	<u>490</u>	<u>4,313</u>	<u>7,168</u>
Depreciation				
At 1 January 2016	1,278	191	3,735	5,204
Charge for year	103	51	201	355
Disposals	-	(17)	-	(17)
At 31 December 2016	<u>1,381</u>	<u>225</u>	<u>3,936</u>	<u>5,542</u>
Carrying amounts				
At 1 January 2016	<u>957</u>	<u>160</u>	<u>510</u>	<u>1,627</u>
At 31 December 2016	<u>984</u>	<u>265</u>	<u>377</u>	<u>1,626</u>

	Land and Buildings £000	Motor Vehicles £000	Furniture and Equipment £000	Total £000
Cost				
At 1 January 2015	1,764	171	4,432	6,367
Additions	137	180	147	464
Reclassification of assets	334	-	(334)	-
At 31 December 2015	<u>2,235</u>	<u>351</u>	<u>4,245</u>	<u>6,831</u>
Depreciation				
At 1 January 2015	1,123	151	3,520	4,794
Charge for year	74	40	296	410
Reclassification of assets	81	-	(81)	-
At 31 December 2015	<u>1,278</u>	<u>191</u>	<u>3,735</u>	<u>5,204</u>
Carrying amounts				
At 1 January 2015	<u>641</u>	<u>20</u>	<u>912</u>	<u>1,573</u>
At 31 December 2015	<u>957</u>	<u>160</u>	<u>510</u>	<u>1,627</u>

Land and buildings at net book value comprise:

	2016 £000	2015 £000
Freehold property	412	424
Long leasehold property	-	-
Short leasehold property	572	533
	<u>984</u>	<u>957</u>

8. Investment in Subsidiary Undertakings

	2016 £000	2015 £000
Carrying Value 1 January 2016	1,882	1,882
Write off investment upon Hive up (see note 15)	(1,882)	-
Carrying Value 31 December 2016	<u>-</u>	<u>1,882</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9. Intangible Assets

	Goodwill	Customer Contracts & Relationships	Total
	£000	£000	£000
Cost			
At 1 January 2016	-	42	42
Additions	181	358	539
Acquired Goodwill	240	-	240
At 31 December 2016	<u>421</u>	<u>400</u>	<u>821</u>
Amortisation			
At 1 January 2016	-	23	23
Charge for year	-	155	155
At 31 December 2016	<u>-</u>	<u>178</u>	<u>178</u>
Carrying amounts			
At 1 January 2016	<u>-</u>	<u>19</u>	<u>19</u>
At 31 December 2016	<u>421</u>	<u>222</u>	<u>643</u>

The acquired goodwill relates to Marina Quay Rental Limited

	Goodwill	Customer Contracts & Relationships	Total
	£000	£000	£000
Cost			
At 1 January 2015	-	42	42
Additions	-	-	-
At 31 December 2015	<u>-</u>	<u>42</u>	<u>42</u>
Amortisation			
At 1 January 2015	-	23	23
Charge for year	-	-	-
At 31 December 2015	<u>-</u>	<u>23</u>	<u>23</u>
Carrying amounts			
At 1 January 2015	<u>-</u>	<u>19</u>	<u>19</u>
At 31 December 2016	<u>-</u>	<u>19</u>	<u>19</u>

10. Trade and other receivables

	31 December 2016 £000	31 December 2015 £000
Trade receivables	330	329
Amounts due from group companies	33	490
Prepayments and accrued income	752	568
Other debtors	107	89
Bad debt provision	<u>(18)</u>	<u>(31)</u>
	<u>1,204</u>	<u>1,445</u>

The ageing of trade receivables (which arose in the UK) at the year end was:

	31 December 2016 £000 Gross	31 December 2016 £000 Impairment	31 December 2015 £000 Gross	31 December 2015 £000 Impairment
Not past due	187	-	129	-
Past due 0 – 30 days	91	-	137	-
Past due 31 – 120 days	40	(9)	42	(15)
Past due 120 days plus	<u>12</u>	<u>(9)</u>	<u>21</u>	<u>(16)</u>
	<u>330</u>	<u>(18)</u>	<u>329</u>	<u>(31)</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Trade and other receivables (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	31 December 2016 £000	31 December 2015 £000
At 1 January	(31)	(98)
Provision made during the year	-	-
Receivables written off during the year	8	2
Provision no longer required	5	65
At 31 December	(18)	(31)

11. Trade and other payables

	31 December 2016 £000	31 December 2015 £000
Due within one year		
Trade payables	64	-
Amounts owed to group undertakings	346	1,914
Other taxes and social security costs	453	442
Other creditors	20	45
Accruals and deferred income	462	548
	1,345	2,949

12. Deferred tax asset

The movement on the deferred tax account is as shown below:

	31 December 2016 £000	31 December 2015 £000
At 1 January	77	78
Adjustment in respect of prior years	2	-
Movement arising from the acquisition of businesses	(49)	-
Credit/(Charge) in income statement	18	(1)
At 31 December	48	77

The deferred tax asset relates to accelerated capital allowances. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at least annually and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred taxes are calculated on temporary differences under the liability method using an effective tax rate of 17% (2015: 18%) as this is the enacted rate that is expected to apply when the temporary differences reverse.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Provisions

	Dilapidations £000	Insurance commission clawback £000	Other provisions £000	Total £000
Balance at 1 January 2016	53	56	10	119
Released during the year	-	86	-	86
Provisions used during the year	-	(71)	(10)	(81)
Balance at 31 December 2016	53	71	-	124
Balance at 1 January 2015	50	80	-	130
Provisions made during the year	3	10	10	23
Provisions used during the year	-	(34)	-	(34)
Balance at 31 December 2015	53	56	10	119

All provisions are non-current. The dilapidations provision is accrued on the basis of amounts identified at the date of property acquisition, less any subsequent expenditure, or where a section 412 notice or schedule of dilapidations has been received from the landlord. Provision is made for properties with non-cancellable leases where the Company no longer occupies the property. The provision represents the rent to the end of the lease, less any projected rental income from subletting the properties.

The provision for insurance commission clawback is estimated based upon anticipated cancellation rates of term insurance policies.

14. Defined contribution scheme

The Company also operates a Group Personal Pension Plan. Payments made to the Plan amounted to £87,000 (2015: £93,000). There were no outstanding or prepaid contributions at the end of the financial year.

15. Share capital

	31 December 2016 £000	31 December 2015 £000
Allotted, called up and fully paid		
769,395 preference shares of £1 each	769	769
100,000 Ordinary shares of £0.01 each	1	1
	770	770

The preference shares have no entitlement to a dividend, are non-voting and have a preferential right to return of capital on a winding up.

Management of capital

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

	Year ended 2016 £000	Year ended 2015 £000
Capital		
Share Capital	770	770
Other Reserve	(1,882)	-
Retained earnings	3,594	2,431
	2,482	3,201

The other reserve in the company relates to the write off of the carrying value of Thomas George Cardiff Limited & Mead Property Management Services Limited. The trade and assets of these subsidiaries were hived up into Peter Alan Limited during the year so the investments have been revalued at £Nil.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. Share capital (continued)

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act, with which it complies. The capital position is reported to the Board regularly. The capital position is also given due consideration when corporate plans are prepared.

16. Related party transactions

The Company has related party relationships within the Skipton Group as detailed below. All such transactions are priced on an arms-length basis.

	2016			2015		
	Ultimate parent undertaking £000	Parent undertaking £000	Other group companies £000	Ultimate parent undertaking £000	Parent undertaking £000	Other group companies £000
a) Net interest						
Interest receivable	1	-	-	1	-	-
Interest payable	-	-	-	-	-	-
Total	1	-	-	1	-	-
b) Sales of goods and services						
Commission receivable	23	-	69	7	-	-
Property searches	-	-	131	-	-	153
Total	23	-	200	7	-	153
c) Purchase of goods and services						
Energy performance certificates	-	-	65	-	-	50
Shared service recharges	-	607	-	-	602	-
Total	-	607	65	-	602	50
d) Outstanding balances						
Receivables from related parties	-	-	33	-	-	490
Payables to related parties	-	(346)	-	-	(1,914)	-
Total	-	(346)	33	-	(1,914)	490

There are no provisions in respect of goods and services to Related Parties, at 31 December 2016, (2015: £Nil).

On 30 October 2016 the trade and assets of Mead Property Management Services Limited and Thomas George Cardiff Limited were transferred to the Company at a book value of Mead - £7k & Thomas George - £21k.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17. Acquisitions

Acquisitions

On 20 June 2016, the Company acquired Marina Quay Rentals Limited and Marina Quay Limited for £471,000. Prior to the year end the trade and assets of Marina Quay Rentals Limited and Marina Quay Limited were transferred to the Company at their net book value of £214,790

This acquisition has been treated as an acquisition of trade and assets by the Company

This acquisition generated the following goodwill:

	Acquisition £'000	Fair Value adj £'000	Total £'000
Cash	120	-	120
Property, plant and equipment	5	(5)	-
Goodwill	240	(240)	-
Intangible assets	-	273	273
Liabilities	(54)	-	(54)
Deferred tax	-	(49)	(49)
Net assets	311	(21)	290
Cash paid to acquire the business	471	-	471
Contingent consideration	-	-	-
Goodwill	160	(21)	181
Contribution to income from acquisitions	123	-	123
Contribution to profit from acquisitions	61	-	61

During the year the Company also purchased Johnathan Coombes for total consideration of £85k which was expensed in the year (2015: £Nil).

18. Investments

At 31 December 2016, the Company owns equity share capital in its dormant subsidiary undertakings, which are incorporated in the UK, as follows:

Name of subsidiary undertaking	Nature of business	Proportion of ordinary shares held 2016	Proportion of ordinary shares held 2015
Marina Quay Rentals Limited	Lettings	100%	-
Marina Quay Limited	Residential estate agency	100%	-
Thomas George Cardiff Limited	Residential estate agency	100%	100%
Mead Property Management Services Limited	Residential estate agency	100%	100%

Registered Address for all the above companies is: Cumbria House, 16 - 20 Hockliffe Street Leighton Buzzard Bedfordshire LU7 1GN

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Capital and operating lease commitments

The Company had £58k capital commitments at the year-end (2015: £Nil).

	31 December 2016 £000	31 December 2015 £000
Building Works	58	-
	<u>58</u>	<u>-</u>

The Company has commitments due under operating leases in respect of rental of land and buildings and motor vehicles. Total commitments under these non-cancellable operating leases are as follows:

	31 December 2016 £000	31 December 2015 £000
<i>Amounts falling due:</i>		
Less than one year	591	693
Between one and five years	2,388	2,203
More than five years	1,587	1,693
	<u>4,566</u>	<u>4,589</u>

20. Financial instruments

Financial risks

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity.

The principal financial risks to which the Company is exposed are liquidity risk, market risk and credit risk, these are monitored on a regular basis by management. Each of these is considered below.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost.

The Company's liquidity policy is to maintain sufficient liquid resources to cover imbalances and fluctuations in funding, to maintain solvency of the Company and to enable the Company to meet its financial obligations as they fall due. This is achieved through maintaining a prudent level of liquid assets and through rigorous management control of the growth of the business.

The following are contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount £000	Contractual cash flows £000	In not more than one month £000	In not more than 3 months £000	In more than 3 months but less than 1 year £000	In more than one year but not more than 5 years £000
Trade and other payables	966	966	531	424	5	6
Amounts owing to group companies	346	346	346	-	-	-
Total	<u>1,312</u>	<u>1,312</u>	<u>877</u>	<u>424</u>	<u>5</u>	<u>6</u>

There are no differences between the fair values of financial assets and liabilities and their carrying amounts showing in the Statement of Financial Position.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk.

Currency risk

The Company is not exposed to any currency risk as all transactions are denominated in Sterling.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Interest rate risk

The Company has no interest bearing liabilities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. There is a bad debt provision of £18,000 held as a specific provision. For maximum credit exposure see note 10. Management carefully manages its exposure to credit risk.

21. Adoption of new and revised International Financial Reporting Standards

There have been no new accounting policies adopted in the year which have had a significant impact on these accounts.

22. Ultimate parent undertaking

The Company is a 100% owned subsidiary of Connells Limited. The ultimate parent undertaking is Skipton Building Society, which is registered in the United Kingdom. The largest group in which the results are consolidated is that headed by Skipton Building Society. The smallest group is that headed by Connells Limited and the consolidated accounts of this company are available to the public and can be obtained from:

Connells Limited
Cumbria House
16-20 Hockliffe Street
Leighton Buzzard
Bedfordshire
LU7 1GN