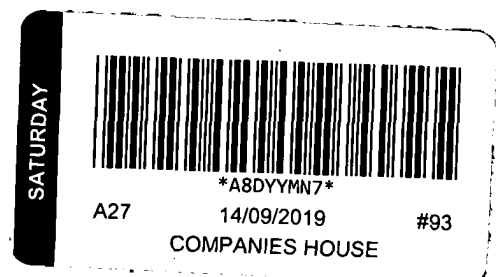


PETER ALAN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018

(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 2018.

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 29 (2017: 29) 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 19 to the financial statements.

DIRECTORS

The Directors who served during the year and up to the date of this report were:

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

DIVIDENDS

During the year an interim dividend of £1,500,000 (2017: £1,000,000) was paid. The directors do not recommend the payment of a final dividend. (2017: £Nil)

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 £100 in 2018 (2017: £1,600). The company made no political donations in 2018 (2017: £Nil).

EMPLOYEE DEVELOPMENT AND EQUAL OPPORTUNITIES

The Company's approach is to ensure it recruits and promotes the right people regardless of gender, disability, age, sexual orientation or race, and is committed to a culture of meritocracy whereby career progression is based on ability. It facilitates opportunities for all employees to progress and regularly reviews practices and policies. It regards its people as its most valuable asset and is committed to investing in them to achieve their full potential, without discrimination.

People with disabilities are given equal opportunities wherever they can fulfil the requirements of the job. If an employee becomes disabled during their employment with the Company every reasonable effort is made to enable them to continue their career within the Company.

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.

Directors' Report *(continued)*

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor was deemed to be reappointed and therefore KPMG LLP continued in office for the financial period 1 January 2018 to 31 December 2018.

Following a tender process undertaken during 2018 by Skipton Building Society, it was recommended that EY LLP be appointed for the Skipton Group (which includes Peter Alan Limited) for the year ending 31 December 2019.

As a result, KPMG LLP will not seek reappointment as the Company's auditor for the financial year ending 31 December 2019 and EY LLP will seek appointment at the forthcoming AGM.

By order of the board



RJ Twigg
Director

5th April 2019
Cumbria House
16-20 Hockliffe Street
Leighton Buzzard
Bedfordshire
LU7 1GN

Strategic Report

Business Review

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.

The Company aims to deliver sustainable and growing revenues from efficient operations supported by a lean management cost structure, which enables the company to adapt to market opportunities.

We continue to invest wisely in all parts of the business, aiming towards delivering an efficient and customer focused proposition throughout the company. Within the estate agency operations we continue to focus on the application of digital products and solutions to support branch operations in winning and retaining business and achieving successful transaction outcomes for its customers.

The My Branch platform has been introduced to support branch staff in managing transactions and active property stock, improving customer engagement with an aim of reducing the level of withdrawals. Alongside this the company has also introduced additional online marketing packs to support the refresh of those properties that do take longer to sell.

2018 Review

The UK residential property market was subdued in 2018 with political uncertainty, Brexit and fragile customer confidence. We continued to perform relatively well in these challenging conditions and the company saw its total income grow modestly by 4%.

As the lack of supply in the market continued to tighten and trading in a "soft" market, the core business income fell by 8% with instructions being challenged and reduced by 3%. Exchanges also deteriorated by 4%. We head into 2019 with a sales pipeline some 12% higher than the previous year demonstrating the slowdown in the conveyancing process across the UK from sale to completion.

Mortgage Services proposition continues to prosper and increased income by 13% year-on-year and Auctions by 54%, despite lower property sales in the branches year-on-year. The company remains focussed on growing these parts of the business and ensuring that it continues to provide its customers with a good experience and outcome.

The acquisition of Roberts & Co Property Management Limited at the end of 2017 contributed to us carrying a higher cost base into 2018, and we saw a growth in our total costs of 6%, which included some exceptional items and additional headcount from the investment. The lettings division of our business grew its income by 21%.

EBITDA for the year ended 31 December 2018 fell by 1% from 2017 which, given the prevailing market conditions, the directors consider to be a positive result.

Operational performance and key performance indicators

The Directors monitor the business at monthly board meetings.

Operational review

	2018 £000	2017 £000	Change %
Total fees and commissions	14,033	13,494	4%
EBITDA	2,137	2,165	-1%
Profit before tax	1,588	1,691	-6%
Movement in:			
Estate agency exchanges	-4%	+6%	
Applicants registered	-1%	+1%	
Lettings occupied units	-2%	+35%	
Mortgages arranged	+15%	+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 company and Skipton Building Society, the ultimate parent undertaking, have a formal structure for managing risks throughout the group, which applies to all subsidiaries.

Strategic Report *(continued)*

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 Company and its ultimate parent undertaking, Skipton Building Society, through their risk and compliance functions provide monitoring and oversight on behalf of the Company's and the Society's Boards.
- The Company's Audit and Risk Committee oversees the effectiveness of the risk management framework and the control environment, with third line assurance being provided through Skipton Group's Internal Audit function.

The principal risks facing the Company, together with how the Company seeks to mitigate these, are set out below:

Housing market

The UK housing market is cyclical and its strength correlates closely with the general strength of the UK economy. Changes in house prices and the volume of properties sold impact the results of the business. UK political and Brexit uncertainty continue to subdue the housing market and 2019 is likely to see a further fall in transaction volumes. However, the Board believes that the medium to long term outlook for the UK housing market remains broadly positive, driven partially by the ongoing imbalance between the demand for properties against the available supply.

The Board continues to review leading indicator KPIs and other macro-economic data regularly, in order that appropriate action is taken to manage short term market uncertainties whilst ensuring that the Company is well positioned to capitalise when market conditions change for the better.

Competitors

The Company operates in a number of markets where traditional operating models are being challenged. Failure to adapt and respond could lead to a fall in market share and, consequently, revenue.

The Company continues to monitor changing trends in the markets in which it operates and will continue to invest in both its systems and people so that it can address any relevant changes to customers' behaviour and expectations.

Regulatory compliance

Our businesses operate across a number of regulatory environments, which continue to evolve rapidly. Failure to comply with current or future regulatory requirements could result in regulatory censure, fines or enforcement action which would impact on the Company's ability to carry out certain activities.

The business continually develops its focus on conduct risk, customer outcomes, and compliance within the regulated part of its business to reflect industry best practice. The Company provides extensive training to and supervision of its operational teams, supported by centralised compliance and risk teams which closely monitor existing business activities and assess proposed new developments. A robust complaint handling process exists, with root cause analysis being fed back into operational activities. During 2019 the Government's ban on agents charging fees to tenants will be implemented, which will impact materially the income derived by our lettings business. We are advanced in our compliance preparations and, in order to partially mitigate the financial impact, have already and intend to roll out further income enhancing opportunities across that part of our business.

Financial misstatement and fraud

Material financial misstatement arising due to an error or fraud could cause reputational damage, financial loss or lead to inappropriate decision making.

The Company's financial controls, including segregation of duties, are designed to operate throughout the business to address this risk. These controls are supplemented by comprehensive monitoring of financial performance to budget and expectations at a cost centre level.

Capital

In common with other businesses in the sector, the Company is relatively highly operationally geared. Trading performance is sensitive to transaction volumes in the UK residential housing market. In the short term, certain costs are fixed so that when income falls there is a direct and adverse impact on profits and cash flows.

The Company's policy is to retain sufficient cash and capital resources to allow it to withstand market volatility and achieve its corporate objectives.

Strategic Report *(continued)*

People

Estate agency is very much a people business. As such, the Company is reliant on the ability, training, skills and motivation of its people. A key risk to the business is the possibility of losing people, particularly senior managers who have extensive knowledge and experience.

In order to combat this, the Board ensures that service agreements, remuneration packages, and human resources policies are constantly reviewed.

Customers

The Company is firmly committed to delivering good outcomes for all customers. This means ensuring that the range of products and services offered meet the needs of customers, that the 'end to end' processes for delivering these services are appropriate and effective, and that our people have our customers' best interests at heart at all times. We take steps to develop and maintain this ethos within the culture of the business overall.

By order of the board



RJ Twigg
Director

5th April 2019

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

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

The directors are responsible for preparing the Strategic Report, the Directors' 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 as adopted by the European Union (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 judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and 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

Opinion

We have audited the financial statements of Peter Alan Ltd ("the company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Brexit other matter paragraph

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recognition of provisions and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- 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

Under the Companies Act 2006, we are required 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PETER ALAN LIMITED *(continued)*

- 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

K Tasker

Karen Tasker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Fourth Street,
Milton Keynes
MK9 1NE

10 April 2019

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 2018 £000	Year ended 2017 £000
Revenue	3	14,033	13,494
Operating expenses		<u>(12,471)</u>	<u>(11,812)</u>
Profit from operations		1,562	1,682
Presented as:			
Earnings before interest, tax, depreciation, amortisation		2,137	2,165
Depreciation of property, plant and equipment		(367)	(383)
Amortisation of intangibles		<u>(208)</u>	<u>(100)</u>
Operating profit		1,562	1,682
Finance income	4	<u>26</u>	<u>9</u>
Profit before tax		1,588	1,691
Tax expense	6	<u>(326)</u>	<u>(344)</u>
Profit for the year being total comprehensive income		<u>1,262</u>	<u>1,347</u>

The notes on pages 15 to 28 form part of these financial statements.

Statement of Financial Position

AT 31 DECEMBER 2018

	Notes	£000	31 December 2018 £000	£000	31 December 2017 £000
Non-current assets					
Property, plant and equipment	7	1,529		1,432	
Intangible assets	8	931		1,164	
Deferred tax assets	11	31		-	
Total non-current assets			2,491		2,596
Current assets					
Trade and other receivables	9	830		800	
Cash and cash equivalents		1,050		1,326	
Total current assets			1,880		2,126
Total assets			4,371		4,722
Current liabilities					
Trade and other payables	10	1,344		1,471	
Tax liabilities		216		240	
Deferred tax liabilities	11	-		9	
Provisions	12	54		61	
Total current liabilities			1,614		1,781
Non-current liabilities					
Trade and other payables	10	25		-	
Provisions	12	113		84	
Total non-current liabilities			138		84
Total liabilities			1,752		1,865
Equity – attributable to equity holders of the company					
Share capital	14	770		770	
Other reserve	14	(1,854)		(1,854)	
Retained earnings	14	3,703		3,941	
Total equity			2,619		2,857
Total equity and liabilities			4,371		4,722

These accounts were approved by the board of directors on the 5th April 2019 and signed on its behalf by:



RJ Twigg
Director

Company registration number: 2073153

The notes on pages 15 to 28 form part of these accounts.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £000	Other reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	770	(1,854)	3,941	2,857
Total income for the year	-	-	1,262	1,262
Dividends	-	-	(1,500)	(1,500)
Balance at 31 December 2018	770	(1,854)	3,703	2,619
Balance at 1 January 2017	770	(1,882)	3,594	2,482
Total income for the year	-	-	1,347	1,347
Dividends	-	-	(1,000)	(1,000)
Write down of investment upon hive up	-	28	-	28
Balance at 31 December 2017	770	(1,854)	3,941	2,857

The notes on pages 15 to 28 form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 2018 £000	Year ended 2017 £000
Cash flows from operating activities			
Profit for the year		1,262	1,347
Adjustments for:			
Depreciation of property, plant and equipment	7	367	383
Amortisation of intangibles	8	208	100
Finance income	4	(26)	(9)
Profit on disposal of property, plant and equipment	2	-	(6)
Taxation	6	326	344
Operating profit before changes in working capital and provisions		2,137	2,159
(Increase) / decrease in trade and other receivables		(7)	404
(Decrease) / increase in trade and other payables		(118)	206
Increase / (decrease) in intercompany payable		18	(17)
Increase in provisions	12	22	21
Cash inflow from operations		2,052	2,773
Tax paid		(390)	(372)
Net cash inflow from operating activities		1,662	2,401
Cash flows from investing activities			
Interest received	4	26	9
Purchase of property, plant and equipment	7	(464)	(195)
Purchase of business assets, net of cash acquired		-	(570)
Proceeds on disposal of property, plant and equipment		-	12
Net cash outflow from investing activities		(438)	(744)
Cash flows from financing activities			
Dividends paid		(1,500)	(1,000)
Net cash outflow from financing activities		(1,500)	(1,000)
Net (decrease) / increase in cash and cash equivalents		(276)	657
Cash and cash equivalents at 1 January		1,326	669
Cash and cash equivalents at 31 December		1,050	1,326

The notes on pages 15 to 28 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's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and effective as at 31 December 2018, and those parts of the Companies Act 2006 applicable to Companies reporting under IFRS.

The Company adopted during the year the following new standards and amendments to existing accounting standards, none of which had a material impact on these financial statements:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments.
- Amendments to IFRS 12 Disclosures of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures as part of the Annual Improvements to IFRS Standards 2014 – 2016 cycle;
- Consequential amendments to existing accounting standards as a result of adopting IFRS 9 and IFRS 15.

A number of new standards at 31 December 2018 have been endorsed by the EU but were not effective and have therefore not been applied in preparing these financial statements. Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Company's financial statements in the period of application.

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 Company.

IFRS 16 Leases

The new leasing standard, IFRS 16, will be effective from 1 January 2019. The standard will have a significant effect on the various classifications within the Company's income statement and balance sheet as the Company leases a large number of the premises in which it trades. Under the new standard a lessee will recognise, in its Statement of Financial Position, a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The lease expense within the Income Statement will also be affected and, whilst the total charge will remain the same over the lease period, the cost recognised in the Income Statement in earlier years will be higher. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements and has estimated that the total estimated transition adjustment at 1 January 2019 will be as follows:

- Recognition of a right of use asset and lease liability in the region of £3m; and
- The impact to profit before tax in the region of £0.1m for the year ending 31 December 2019.

Notwithstanding the above, the actual impacts of adopting the standard on 1 January 2019 may change because:

- The Company is in the process of finalising the testing and assessment of the controls over collection of all the necessary information in relation to lease contracts, required for the application of IFRS 16;
- The Company is still refining its impact assessment calculations specifically in relation to the judgment around lease extensions, renewal and terminations and the determination of the appropriate rate to discount the lease payment; and
- The new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

No significant impact is expected for leases where the Company is a lessor.

The Company will use the modified retrospective transition method on adoption, so all leases will be assumed to have started on 1 January 2019, which will result in no change to comparative numbers or reserves. The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

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 pounds. The functional currency is pounds sterling.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

a) Basis of accounting (continued)

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 5 to 7. The financial position of the Company, its cash flows, and liquidity position are shown on pages 11 to 14. 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 Directors have assessed the viability of the Company with respect to the Company's current resources and prospects, its risk appetite and the Company's principal risks and uncertainties. In particular the Directors have considered and modelled a number of severe but plausible scenarios, including the impact of a material downturn in the UK housing market caused by Brexit or other political and economic circumstances. The results from such stress testing indicate that the Company would be able to withstand the financial impact and, as a result, the Directors 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 the 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 unconditionally, at which point all performance obligations are considered to have been fulfilled. Invoices are usually payable on completion.
- Commission earned from property lettings is recognised when the underlying service has been performed, including tenant introduction, rent collection or full property management. Invoices are usually payable immediately when the rent or fee is collected from the tenant.
- Revenue from mortgage procurement fees is recognised on completion of the mortgage transaction, which is when all contractual obligations have been fulfilled. Invoices are usually payable within 30 days of the completion.
- Insurance commission income is recognised upon fulfilment of contractual obligations as part of the mortgage process, being when the insurance policy is put on risk; less a provision for expected future clawback repayment in the event of early termination by the customer. Invoices are usually payable within 30 days.
- All other income is recognised in line with when contractual obligations have been met.

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:

Office equipment	-	5 years
Motor vehicles	-	25% of net book value
Leasehold premises	-	Over the unexpired term of the lease in equal instalments
Freehold buildings	-	Lower of 50 years or estimated useful life of premises

All depreciation is charged on a straight-line basis, except for motor vehicles which are calculated on a reducing balance basis. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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. On the sale of a subsidiary, the profit or loss on sale is calculated after charging or crediting the net book value of any related goodwill. Negative goodwill arising on an acquisition is recognised directly in the Income Statement.

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 on a straight-line basis 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
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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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

f) Impairment

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. The recoverable amount of goodwill is determined as the higher of its fair value less costs to sell and its value in use.

The Company applies discount rates based on its estimated current cost of capital of the CGU. Impairment of a CGU's associated goodwill is recognised where the present value of future cash flows of the CGU is less than its carrying value. A fifteen year time horizon has been used to reflect that CGUs are held for the long term. 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. Any impairment loss in respect of goodwill is not reversed.

g) Trade and other receivables

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

h) Trade and other payables

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

i) Operating leases

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

j) 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 charge or credit is recognised in other comprehensive income.

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

Deferred tax is recognised in respect of 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 reporting date.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the company.

The carrying amount of deferred tax assets is reviewed at each year end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each year end and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

k) 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, in independently administered funds. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement as incurred.

l) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash comprises cash in hand and balances with banks and similar institutions. Cash equivalents comprise highly liquid investments which 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.

m) Net financing costs

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

n) 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.

o) 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.

- Provisions – certain critical judgments have been made in applying the Company's accounting policies in relation to closed branch and onerous lease provisions (note 12), provisions for clawback of insurance commission (note 12) and impairment provisions on trade receivables (note 9).

2. Expenses and auditor's remuneration

Included in profit are the following:

	Year ended 2018 £000	Year ended 2017 £000
Depreciation of property, plant and equipment	367	383
Amortisation of intangibles	208	100
Impairment loss on trade receivables	9	-
Profit on sale of property, plant and equipment	-	(6)
Rentals payable under operating leases		
- Land and buildings	575	550
- Motor Vehicles	190	204
Auditor's remuneration and expenses:		
Audit of these financial statements	20	17
All other services	4	5

3. Revenue

All revenue in the Company is considered to originate from contracts with customers. The table below disaggregates the revenue from contracts with customers into the significant service lines. All revenues are derived by the Company in the UK.

	Products and services transferred at a point in time 2018 £000	Products and services transferred over time 2018 £000	Total 2018 £000	Total 2017 £000
Commissions earned on property sales	6,283	-	6,283	6,712
Commissions earned on property lettings	4,573	-	4,573	3,775
Income from sale of financial services products	1,389	507	1,896	1,611
Conveyancing income	1,211	-	1,211	1,236
Other income and commissions	70	-	70	160
	<u>13,526</u>	<u>507</u>	<u>14,033</u>	<u>13,494</u>

4. Finance income

	Year ended 2018 £000	Year ended 2017 £000
Interest on deposits with Group undertakings	26	9
	<u>26</u>	<u>9</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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 2018 No.	Year ended 2017 No.
Sales	229	220
Administration	44	43
Directors	5	5
	<u>278</u>	<u>268</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 2018 £000	Year ended 2017 £000
Wages and salaries	6,708	6,469
Social security costs	666	649
Other pension costs	120	90
	<u>7,494</u>	<u>7,208</u>

Directors' emoluments

Directors' emoluments

Company contributions to defined contribution pension plans

	Year ended 2018 £000	Year ended 2017 £000
Directors' emoluments	167	149
Company contributions to defined contribution pension plans	6	6
	<u>173</u>	<u>155</u>

Four (2017: Four) of the directors are not directly remunerated by the Company. The notional allocation of cost to the Company for their services was £38,302 (2017: £39,586).

6. Taxation

a) Analysis of expense in the year at 19% (2017: 19.25%)

Current tax expense

Current tax at 19% (2017: 19.25%)

Adjustment for prior years

	Year ended 2018 £000	Year ended 2017 £000
Current tax expense	365	380
Adjustment for prior years	1	(7)
	<u>366</u>	<u>373</u>

Total current tax

Deferred tax credit

Origination and reversal of temporary differences

Adjustment in respect of prior periods

Total deferred tax

	Year ended 2018 £000	Year ended 2017 £000
Origination and reversal of temporary differences	(40)	(33)
Adjustment in respect of prior periods	-	4
	<u>(40)</u>	<u>(29)</u>

Tax expense

	Year ended 2018 £000	Year ended 2017 £000
Tax expense	<u>326</u>	<u>344</u>

b) Factors affecting current tax expense in the year

The tax assessed in the Income Statement is higher (2017: higher) than the standard UK corporation tax rate because of the following factors:

Profit before tax	<u>1,588</u>	<u>1,691</u>
Tax on profit at UK standard rate of 19% (2017: 19.25%)	301	325
Effects of:		
Adjustments in respect of prior years	1	(3)
Expenses not deductible for tax purposes	19	23
Others	5	(1)
Tax expense	<u>326</u>	<u>344</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Taxation (continued)

A reduction in the UK corporation tax rate from 19% 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 2018 has been calculated based on this rate.

7. Property, plant and equipment

	Land and buildings £000	Motor vehicles £000	Furniture and equipment £000	Total £000
Cost				
At 1 January 2018	2,472	447	4,401	7,320
Additions	187	176	101	464
At 31 December 2018	<u>2,659</u>	<u>623</u>	<u>4,502</u>	<u>7,784</u>
Depreciation				
At 1 January 2018	1,515	252	4,121	5,888
Charge for year	173	56	138	367
At 31 December 2018	<u>1,688</u>	<u>308</u>	<u>4,259</u>	<u>6,255</u>
Carrying amounts				
At 1 January 2018	<u>957</u>	<u>195</u>	<u>280</u>	<u>1,432</u>
At 31 December 2018	<u>971</u>	<u>315</u>	<u>243</u>	<u>1,529</u>
	Land and buildings £000	Motor vehicles £000	Furniture and equipment £000	Total £000
Cost				
At 1 January 2017	2,365	490	4,313	7,168
Additions	107	-	88	195
Disposals	-	(43)	-	(43)
At 31 December 2017	<u>2,472</u>	<u>447</u>	<u>4,401</u>	<u>7,320</u>
Depreciation				
At 1 January 2017	1,381	225	3,936	5,542
Charge for year	134	64	185	383
Disposals	-	(37)	-	(37)
At 31 December 2017	<u>1,515</u>	<u>252</u>	<u>4,121</u>	<u>5,888</u>
Carrying amounts				
At 1 January 2017	<u>984</u>	<u>265</u>	<u>377</u>	<u>1,626</u>
At 31 December 2017	<u>957</u>	<u>195</u>	<u>280</u>	<u>1,432</u>
Land and buildings at net book value comprise:			2018 £000	2017 £000
Freehold property			401	399
Short leasehold property			570	558
			<u>971</u>	<u>957</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Intangible Assets

	Goodwill	Customer contracts & relationships	Total
	£000	£000	£000
Cost			
At 1 January 2018	564	878	1,442
Adjustment to prior year acquisition	(25)	-	(25)
At 31 December 2018	<u>539</u>	<u>878</u>	<u>1,417</u>
Amortisation			
At 1 January 2018	-	(278)	(278)
Charge for year	-	(208)	(208)
At 31 December 2018	<u>-</u>	<u>(486)</u>	<u>(486)</u>
Carrying amounts			
At 1 January 2018	<u>564</u>	<u>600</u>	<u>1,164</u>
At 31 December 2018	<u>539</u>	<u>392</u>	<u>931</u>
	Goodwill	Customer contracts & relationships	Total
	£000	£000	£000
Cost			
At 1 January 2017	421	400	821
Additions	358	478	836
Impairment	(215)	-	(215)
At 31 December 2017	<u>564</u>	<u>878</u>	<u>1,442</u>
Amortisation			
At 1 January 2017	-	178	178
Charge for year	-	100	100
At 31 December 2017	<u>-</u>	<u>278</u>	<u>278</u>
Carrying amounts			
At 1 January 2017	<u>421</u>	<u>222</u>	<u>643</u>
At 31 December 2017	<u>564</u>	<u>600</u>	<u>1,164</u>

All amortisation charges in the year have been charged through operating expenses.

Goodwill acquired in a business combination is allocated to the cash generating units (CGU's) that are expected to benefit from that business combination. The only CGU is the Estate Agency Business. Before recognition of impairment losses, the cost of goodwill has been allocated to this CGU. The recoverable amounts of the CGU is determined from value in use calculations.

Key assumptions

The calculation of value-in-use is most sensitive to the following assumptions:

- Forecast cash flows
- Long term growth rate
- Discount rates

Forecast cash flows reflect how management believe the business will perform over the short term five year period and are used to calculate the value-in-use of the CGU. The Company prepares cash-flow forecasts on the assumption that the CGU is held for long-term investment, and are derived from the most recent financial budgets for the next five years, which take into account the risks inherent in the business.

The growth rate reflects how management believe the business will perform over the long term, and extrapolate cash flows for subsequent years (up to an additional 10 years) based on a long-term growth rate of 2.5% (2017: 2.5%).

Discount rates reflect management's estimate of the post-tax Weighted Average Cost of Capital (WACC) of the Company and this is the benchmark used by management to assess operating performance and to evaluate future acquisition proposals. The pre-tax discount rate was 10.60% (2017: 10.60%).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Intangible Assets *(continued)*

Sensitivities

Management has undertaken sensitivity analyses to determine the effect of changes in assumptions on the 2018 impairment review. The key assumptions driving the carrying values are the discount rate applied to the cash flow forecasts and the growth rates within the cash flow forecast. It would require a significant decline in performance to trigger an impairment. To test the sensitivity the discount rate was increased, for increases up to 25% the CGUs carrying values would still exceed the asset value. The sensitivity to the long term growth rate was also decreased, for decreases up to 80% the CGUs carrying values would still exceed the asset value. For the 5 year cash flows growth rate decreases up to 25%, the carrying value would still exceed the asset value.

9. Trade and other receivables

	31 December 2018 £000	31 December 2017 £000
Trade receivables	341	345
Amounts due from group companies	29	31
Prepayments and accrued income	467	402
Other debtors	16	37
Bad debt provision	(23)	(15)
	<u>830</u>	<u>800</u>

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

	31 December 2018 £000 Gross	31 December 2018 £000 Impairment	31 December 2017 £000 Gross	31 December 2017 £000 Impairment
Not past due	175	-	208	-
Past due 0 – 30 days	99	-	85	-
Past due 31 – 120 days	48	(6)	43	(8)
Past due 120 days plus	19	(17)	9	(7)
	<u>341</u>	<u>(23)</u>	<u>345</u>	<u>(15)</u>

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

	31 December 2018 £000	31 December 2017 £000
At 1 January	(15)	(18)
Receivables written off during the year	1	3
Provisions made during the year	(9)	-
At 31 December	<u>(23)</u>	<u>(15)</u>

The Company does not require collateral in respect of trade and other receivables. Management believes that the unimpaired amounts that are overdue are still collectible in full, based on historical payment behaviour and analysis of customer credit risk.

10. Trade and other payables

	31 December 2018 £000	31 December 2017 £000
Due within one year		
Trade payables	18	37
Amounts owed to group undertakings	102	86
Other taxes and social security costs	539	561
Other creditors	19	183
Accruals and deferred income	666	604
	<u>1,344</u>	<u>1,471</u>
Due after more than one year		
Accruals and deferred income	25	-
	<u>25</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Deferred tax asset/(liability)

The movement on the deferred tax asset/(liability) is as shown below:

	31 December 2018 £000	31 December 2017 £000
At 1 January	(9)	48
Adjustment in respect of prior years	-	(4)
Credit in income statement	40	33
Movement arising from transfer of trade	-	(86)
At 31 December	31	(9)

Deferred tax assets/(liabilities) are attributable to the following items:

	Asset/ (liability) £000	Credited to Income £000
2018		
Capital allowance	97	4
Intangible assets	(66)	36
	31	40
2017		
Capital allowance	93	12
Intangible assets	(102)	21
	(9)	33

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.

12. Provisions

	Dilapidations £000	Insurance commission clawback £000	Total £000
Balance at 1 January 2018	53	92	145
Provisions made during the year	-	183	183
Provisions used during the year	-	(161)	(161)
Balance at 31 December 2018	53	114	167
Due within one year or less	-	54	54
Due after more than one year	53	60	113
	53	114	167
Balance at 1 January 2017	53	71	124
Provisions made during the year	-	133	133
Provisions used during the year	-	(112)	(112)
Balance at 31 December 2017	53	92	145
Due within one year or less	-	61	61
Due after more than one year	53	31	84
	53	92	145

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Provisions (continued)

The dilapidation 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 the costs of closed branches is expected to reverse over the remaining life of the leases, or period to the anticipated date of disposal, if sooner.

Provision for insurance commission clawback is estimated using anticipated cancellation rates of term insurance policies. This provision is based on the clawback period from the sign up date of the term insurance policy. The cancellation rates used in the provision are revisited every quarter. The provision is expected to reverse over the next 3 years.

13. Defined contribution pension scheme

The Company operates a Group Personal Pension Plan. Payments made to the Plan during the year amounted to £120,000 (2017: £90,000). There were no outstanding or prepaid contributions at the end of the financial year.

14. Share capital

	31 December 2018 £000	31 December 2017 £000
Allotted, called up and fully paid		
769,395 preference shares of £1 each (2017: 769,395)	769	769
100,000 Ordinary shares of £0.01 each (2017: 100,000)	1	1
	<u>770</u>	<u>770</u>

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, other reserves and ordinary share capital in issue.

	Year ended 2018 £000	Year ended 2017 £000
Capital		
Share Capital	770	770
Other Reserve	(1,854)	(1,854)
Retained earnings	3,703	3,941
	<u>2,619</u>	<u>2,857</u>

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 prior year so the investments were revalued at £Nil.

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 commensurate 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. Related party transactions

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

	2018			2017		
	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	9	17	-	1	8	-
Interest payable	-	-	-	-	-	-
Total	9	17	-	1	8	-
b) Sales of goods and services						
Commission receivable	34	-	-	25	-	76
Property searches	-	-	205	-	-	157
Total	34	-	205	25	-	233
c) Purchase of goods and services						
Energy performance certificates	-	-	55	-	-	75
Shared service recharges	-	930	5	-	807	-
Total	-	930	60	-	807	75
d) Outstanding balances						
Receivables from related parties	-	-	29	-	-	31
Payables to related parties	-	(98)	(4)	-	(86)	-
Total	-	(98)	25	-	(86)	31

There are no provisions in respect of goods and services to Related Parties at 31 December 2018, (2017: £Nil).

17. Investments

At 31 December 2018, the Company owns equity share capital in its dormant subsidiary undertaking, which is incorporated in the UK, as follows:

Name of subsidiary undertaking	Nature of business	Proportion of ordinary shares held 2018	Proportion of ordinary shares held 2017
Roberts & Co Property Management Limited	Lettings	100%	100%

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18. Capital and operating lease commitments

Capital commitments at the year end for which no provision has been made were as follows:

	31 December 2018 £000	31 December 2017 £000
Fixture & fittings	6	-
Improvements	16	-
Other	17	-
	<u>39</u>	<u>-</u>

The Company has commitments due under operating leases relating to land and buildings and other equipment. Total commitments under non-cancellable operating leases are as follows:

	31 December 2018 £000	31 December 2017 £000
<i>Amounts falling due:</i>		
Less than one year	644	685
Between one and five years	1,990	2,052
More than five years	756	1,130
	<u>3,390</u>	<u>3,867</u>

At the year end the Company had contracts with tenants for the following total lease payments to Peter Alan Limited under non-cancellable operating leases as follows:

	Year ended 2018 £000	Year ended 2017 £000
<i>Amounts falling due:</i>		
Less than one year	36	36
Between one and five years	79	116
More than five years	-	-
	<u>115</u>	<u>152</u>

19. 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:

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Financial instruments (continued)

2018

	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	1,228	1,228	695	465	63	5
Amounts owing to group companies	102	102	102	-	-	-
Total	1,330	1,330	797	465	63	5

2017

	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	1,349	1,349	653	538	154	4
Amounts owing to group companies	86	86	86	-	-	-
Total	1,435	1,435	739	538	154	4

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.

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. Based on historic default rates, the Company believes that no impairment provision is necessary in respect of most trade receivables not overdue or over due by up to 30 days. For maximum credit exposure see note 9. Management carefully manages its exposure to credit risk.

The Company's financial assets at the year end were as follows:

	Year ended 2018 £000	Year ended 2017 £000
Cash and cash equivalents	1,050	1,326
Trade receivables	341	345
Other receivables	16	37
Amounts due from group companies	29	31
	1,436	1,739

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Financial instruments (continued)

As stated in note 9, trade and other receivables are current assets and are expected to convert to cash over the next twelve months.

There are no significant concentrations of credit risk within the Company. The Company is exposed to credit risk from sales. It is Company policy to assess the credit risk of major new customers before entering contracts. The majority of customers use the Company's services as part of a housing transaction and consequently the sales are paid from the proceeds of the house sale. The majority of the commercial customers and the major lenders are large financial institutions and as such the credit risk is not significant. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. The following table presents a breakdown of the gross trade receivables between the main types of customer:

	31 December 2018 £000	31 December 2017 £000
Individual customers	165	200
Other commercial customers	176	145
	<u>341</u>	<u>345</u>

The Group uses an allowance matrix to measure the expected credit losses (ECLs) of trade receivables, which comprise a large number of small balances. Loss rates are based on actual credit loss experience over the previous year, and adjusted for the Group's view of current economic conditions over the expected lives of the receivables. However given the low levels of impairment loss experience, the ECL allowance is very small.

The cash and cash equivalents consist only of bank balances, and is held with institutions with an A+ credit rating.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

20. 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