

PETER ALAN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2017

(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 2017.

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 (2016: 27) 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 were:

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

DIVIDENDS

During the year an interim dividend of £1,000,000 (2016: £600,000) was paid. The directors do not recommend the payment of a final dividend. (2016: £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 £1,600 in 2017 (2016: £1,300). The company made no political donations in 2017 (2016: £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. It is the policy of the company that the training, career development and promotion of a disabled person should as far as possible be identical with that of a person who does not have a disability.

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

7 March 2018
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.

2017 Review

The UK residential property market experienced tightening conditions during 2017 with the Brexit uncertainty continuing, an unexpected "snap" election and the first interest rate rise in 10 years. This coupled with a continued lack of supply had an impact on the market slowing in the second half of the year.

Nevertheless the Company EBITDA increased to £2,165,000 (2016: £1,688,000) which was a 28% increase on the prior year. Total income grew by 14% from £11,838,000 to £13,494,000 and costs by 11% from £10,660,000 to £11,812,000.

The Company continued to expand in 2017 by purchasing Roberts & Co Lettings & Property Management which added a further 827 properties to our portfolio, which at the end of the year closed at 3,846, up 35% up on the previous year. Our lettings business income grew by 7.5% (4% excluding Roberts & Co). We also saw agency income grow by 12% and opened our 29th estate agency branch in Chepstow.

The core business instructions were challenged and reduced by 1% with exchanges increasing by 6%. Mortgage services income was in line with the previous year and conveyancing income rose by 26%.

Operational performance and key performance indicators

The Directors monitor the business at monthly board meetings.

Operational review

	2017 £000	2016 £000	Change %
Total Fees and commissions	13,494	11,838	+14
EBITDA	2,165	1,688	+28
Profit before Tax	1,691	2,041	-17

Movement in:

Estate agency exchanges	+6%	-4%
Applicants registered	+1%	+42%
Lettings occupied units	+35%	+11%
Mortgages arranged	+6%	+70%

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.

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. Connells Limited and 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

7 March 2018

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 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 Limited ("the company") for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity 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 2017 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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
- 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 6, 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.



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

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.

A handwritten signature in cursive script, appearing to read 'Emily Jefferis'.

Emily Jefferis (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

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

15 March 2018

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 2017 £000	Year ended 2016 £000
Revenue	1	13,494	11,838
Operating Expenses		<u>(11,812)</u>	<u>(10,660)</u>
Profit from operations		1,682	1,178
Presented as:			
Earnings before interest, tax, depreciation, amortisation		2,165	1,688
Depreciation of property, plant and equipment		(383)	(355)
Amortisation of intangibles		<u>(100)</u>	<u>(155)</u>
Operating profit		1,682	1,178
Finance income	3	9	2
Dividend Income		<u>-</u>	<u>861</u>
Profit before tax		1,691	2,041
Tax expense	5	<u>(344)</u>	<u>(278)</u>
Profit for year being total comprehensive income		<u>1,347</u>	<u>1,763</u>

In the current year the Company acquired the trade and assets of Roberts & Co Property Management (2016: it acquired Marina Quay Rentals Limited and Marina Quay Limited). In both the current and preceding year the Company had no discontinued operations.

There were no recognised income and expense items in the current year (2016: £Nil) other than those reflected in the above Statement of Comprehensive Income.

The notes on pages 13 to 27 form part of these financial statements.

Statement of Financial Position

AT 31 DECEMBER 2017

	Notes	£000	31 December 2017 £000	£000	31 December 2016 £000
Non-current assets					
Property, plant and equipment	6	1,432		1,626	
Intangible assets	8	1,164		643	
Deferred tax assets	11	-		48	
Total non-current assets			2,596		2,317
Current assets					
Trade and other receivables	9	800		1,204	
Cash and cash equivalents		1,326		669	
Total current assets			2,126		1,873
Total assets			4,722		4,190
Current liabilities					
Trade and other payables	10	1,471		1,345	
Tax Liabilities		240		239	
Deferred tax liabilities	11	9		-	
Provisions	12	61		46	
Total current liabilities			1,781		1,630
Non-current liabilities					
Provisions	12	84		78	
Total non-current liabilities			84		78
Total liabilities			1,865		1,708
Equity – attributable to equity holders of the company					
Share capital	14	770		770	
Other reserve	14	(1,854)		(1,882)	
Retained earnings	14	3,941		3,594	
Total equity			2,857		2,482
Total equity and liabilities			4,722		4,190

These accounts were approved by the board of directors on 7 March 2018 and signed on its behalf by:



RJ Twigg
Director

Company registration number: 2073153

The notes on pages 13 to 27 form part of these accounts.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £000	Other reserve £000	Retained earnings £000	Total equity £000
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 off on liquidation of investment	-	28	-	28
Balance at 31 December 2017	770	(1,854)	3,941	2,857
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

The notes on pages 13 to 27 form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 2017 £000	Year ended 2016 £000
Cash flows from operating activities			
Profit for the year		1,347	1,763
Adjustments for:			
Depreciation of property, plant and equipment	6	383	355
Amortisation of intangibles	8	100	70
Write off of intangible assets on asset purchases	8	-	85
Finance income	3	(9)	(2)
Dividends Received		-	(861)
Profit/(Loss) on disposal of property, plant and equipment	2	(6)	3
Taxation	5	344	278
Operating profit before changes in working capital and provisions		2,159	1,691
Decrease in trade and other receivables		404	319
Increase / (Decrease) in trade and other payables		206	(100)
(Decrease)/ Increase in intercompany payable		(17)	75
Increase in provisions	12	21	5
Cash inflow from operations		2,773	1,990
Tax paid		(372)	(130)
Net cash inflow from operating activities		2,401	1,860
Cash flows from investing activities			
Interest Received	3	9	2
Purchase of property, plant and equipment	6	(195)	(357)
Purchase of business assets, net of cash acquired	16	(570)	(327)
Purchase of intangible assets		-	(85)
Proceeds on disposal of property, plant and equipment		12	-
Net cash outflow from investing activities		(744)	(767)
Cash flows from financing activities			
Repayment of borrowings		-	(1,885)
Dividends paid		(1,000)	(600)
Dividends received		-	832
Net cash outflow from financing activities		(1,000)	(1,653)
Net Increase / (Decrease) in cash and cash equivalents		657	(560)
Cash and cash equivalents at 1 January		669	1,229
Cash and cash equivalents at 31 December		1,326	669

The notes on pages 13 to 27 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 2017, and those parts of the Companies Act 2006 applicable to Companies reporting under IFRS.

The Company has applied the following changes in accounting standards during the year:

- Disclosure Initiative (Amendments to IAS 7);
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12);

These amendments have had no material impact on these Financial Statements.

Disclosed below are the new IFRS and amendments which at 31 December 2017 have been endorsed by the EU but were not effective and have therefore not been applied in preparing these financial statements:

- IFRS 15 Revenue from Contracts with Customers;
- IFRS 9 Financial Instruments; and
- IFRS 16 Leases.

The new revenue recognition standard IFRS 15 will be effective for periods beginning on or after 1 January 2018 and introduces a five-step approach to revenue recognition based on performance obligations in customer contracts. The Company has a number of different revenue streams but, following a detailed assessment, does not believe any of them will be impacted materially by the changes to the standard. The assessment of the significant revenue streams under IFRS 15 is considered below.

- Estate agency sales commissions will be recognised on the date contracts exchange, consistent with IAS 18, as this is the date which the contract is considered to be in place under IFRS 15.
- Property management income will be recognised over the course of the contract in line with the timing of the work performed, rather than when cash is received. This will not result in a significant impact on its financial statements.
- Revenue from mortgage procurement fees is recognised on completion of the mortgage transaction, as this is the date IFRS 15 considers it is highly probable a significant reversal will not occur. This is consistent with IAS 18 so the Company does not expect a significant impact.
- Insurance commission income is recognised upon fulfilment of contractual obligations, net of a provision for expected future clawback, impacting the expected transaction price under IFRS 15. This is consistent with IAS 18 so the Company does not expect a significant impact.

In terms of transition, the Company plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Company will not apply the requirements of IFRS 15 to the comparative period presented.

IFRS 9 will also be effective for periods beginning on or after 1 January 2018. The impact has been assessed and will be minimal given the Company does not hold complex financial instruments. The impact to the trade and receivables balance has been calculated based on historic bad debt rates, and the estimated exposure is not material. Given the limited impact it is not expected significant additional disclosure will be required. The Company plans to apply the IFRS 9 changes retrospectively, with the following exception. The Company will take advantage of the exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

The new leasing standard, IFRS 16, will be effective from 1 January 2019. The standard will have an effect on the Company's income statement and balance sheet as the Company enters into leases which will be brought on statement of financial position under the new standard. The income statement will also be affected as the profile of the expensing of the lease payments is changed. Currently, the lease expense is recognised evenly over the life of the lease. Under the new standard, while the charge will remain the same over the lease period, however the cost recognised in the income statement in earlier years will be higher, with this reducing over the life of the lease.

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.

Measurement convention

These financial statements are prepared on the historical cost basis.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

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.

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 9 to 12. 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:

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

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

f) Impairment (continued)

Any impairment loss in respect of goodwill is not reversed. 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.

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, as 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 and 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

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 2017 £000	Year ended 2016 £000
Depreciation of property, plant and equipment	383	355
Amortisation of intangibles	100	155
(Profit)/Loss on sale of property, plant and equipment	(6)	3
Rentals payable under operating leases		
- Land and buildings	550	537
- Motor Vehicles	204	205
Auditor's remuneration and expenses:		
Audit of these financial statements	17	17
All other services	5	8

3. Finance income

	Year ended 2017 £000	Year ended 2016 £000
Interest Receivable	9	2

4. Staff numbers and costs

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

	Year ended 2017 No.	Year ended 2016 No.
Sales	220	202
Administration	43	36
Directors	5	5
	268	243

The aggregate payroll costs of these persons were as follows:

	Year ended 2017 £000	Year ended 2016 £000
Wages and salaries	6,469	5,910
Social security costs	649	579
Other pension costs	90	87
	7,208	6,576

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4. Staff numbers and costs (continued)

	Year ended 2017 £000	Year ended 2016 £000
Directors' emoluments	149	162
Company contributions to defined contribution pension plans	6	6
	<u>155</u>	<u>168</u>

Four (2016: Four) of the directors are not directly remunerated by the Company. The notional allocation of cost to the Company for their services was £39,586 (2016: £38,036)

5. Taxation

	Year ended 2017 £000	Year ended 2016 £000
a) Analysis of expense in the year at 19.25% (2016: 20%)		
Current tax expense		
Current tax at 19.25% (2016: 20%)	380	289
Adjustment for prior years	(7)	3
Total current tax	<u>373</u>	<u>292</u>
Deferred tax credit		
Origination and reversal of temporary differences	(33)	(18)
Adjustment in respect of prior periods	4	4
Total deferred tax	<u>(29)</u>	<u>(14)</u>
Tax expense	<u>344</u>	<u>278</u>

b) Factors affecting current tax expense in the year

The tax assessed in the Income Statement is higher (2016: lower) than the standard UK corporation tax rate because of the following factors:

Profit before tax	<u>1,691</u>	<u>2,041</u>
Tax on profit at UK standard rate of 19.25% (2016: 20%)	325	408
Effects of:		
Adjustments in respect of prior years	(3)	7
Expenses not deductible for tax purposes	23	30
Income not taxable for tax purposes	-	(172)
Corporation tax rate change	(1)	5
Tax expense	<u>344</u>	<u>278</u>

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and 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 2017 has been calculated based on these rates.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Property, plant and equipment

	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 £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 at net book value comprise:

	2017 £000	2016 £000
Freehold property	399	412
Short leasehold property	<u>558</u>	<u>572</u>
	<u>957</u>	<u>984</u>

7. Investment in Subsidiary Undertakings

	2017 £000	2016 £000
Carrying Value at 1 January	-	1,882
Write off investment upon Hive up	-	<u>(1,882)</u>
Carrying Value at 31 December	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Intangible Assets

	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>

The impairment charge relates to the write off of acquired goodwill of Marina Quay Rental Limited, upon its liquidation.

	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>

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's are determined from value in use calculations.

Key assumptions

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

- Discount rates
- Growth rate/ cash flows

Discount rates reflect Management's estimate of the post-tax Weighted Average Cost of Capital (WACC) of the Group and this is grossed up to arrive at a pre-tax discount rate of 10.60% (2016:10.62%). This is the benchmark used by management to assess operating performance and to evaluate future acquisition proposals.

Growth rate/ cash flows reflect how management believe the business will perform over the fifteen year period and is used to calculate the value-in-use of the CGUs.

The Company prepares cash flow forecasts on the assumption that the businesses are held for long-term investment. The cash flows are derived from the most recent financial budgets for the next five years, which take into account the risks inherent in the businesses, and extrapolate cash flows for subsequent years (up to an additional 10 years) based on a long-term growth rate of 2.5%.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Intangible Assets *(continued)*

The Company estimates pre-tax discount rates based on the current cost of capital adjusted for the risks inherent in each CGU of 10.60% (2016: 10.62%). At 31 December 2017, no impairment was allocated to the Estate Agency Businesses.

Sensitivities

Management has undertaken sensitivity analyses to determine the effect of changes in assumptions on the 2017 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 52% 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 100% the CGUs carrying values would still exceed the asset value. For the 5 year cash flows growth rate decreases up to 54%, the carrying value would still exceed the asset value.

9. Trade and other receivables

	31 December 2017 £000	31 December 2016 £000
Trade receivables	345	330
Amounts due from group companies	31	33
Prepayments and accrued income	402	752
Other debtors	37	107
Bad debt provision	(15)	(18)
	<u>800</u>	<u>1,204</u>

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

	31 December 2017 £000 Gross	31 December 2017 £000 Impairment	31 December 2016 £000 Gross	31 December 2016 £000 Impairment
Not past due	208	-	187	-
Past due 0 – 30 days	85	-	91	-
Past due 31 – 120 days	43	(8)	40	(9)
Past due 120 days plus	9	(7)	12	(9)
	<u>345</u>	<u>(15)</u>	<u>330</u>	<u>(18)</u>

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

	31 December 2017 £000	31 December 2016 £000
At 1 January	(18)	(31)
Receivables written off during the year	3	8
Provision no longer required	-	5
At 31 December	<u>(15)</u>	<u>(18)</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 2017 £000	31 December 2016 £000
Due within one year		
Trade payables	37	64
Amounts owed to group undertakings	86	346
Other taxes and social security costs	561	453
Other creditors	183	20
Accruals and deferred income	604	462
	<u>1,471</u>	<u>1,345</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 2017 £000	31 December 2016 £000
At 1 January	48	77
Adjustment in respect of prior years	(4)	4
Movement arising from the acquisition of businesses	-	(51)
Credit in income statement	33	18
Movement arising from transfer of trade	(86)	-
At 31 December	(9)	48

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

	Asset/ (liability) £000	Credited to Income £000
2017		
Capital allowance	93	12
Intangible assets	(102)	21
	(9)	33
2016		
Capital allowance	86	7
Intangible assets	(38)	11
	48	18

The deferred tax liability relates to intangible assets. A deferred tax liability/asset is only recognised to the extent that it is probable that future taxable profits will be available against which the liability can be utilised. Deferred tax liabilities/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% (2016: 17%) as this is the enacted rate that is expected to apply when the temporary differences reverse.

12. Provisions

	Dilapidations £000	Insurance commission clawback £000	Other provisions £000	Total £000
Balance at 1 January 2017	53	71	-	124
Provisions made during the year	-	133	-	133
Released during the year	-	-	-	-
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
Balance at 1 January 2016	53	56	10	119
Provisions made during the year	-	86	-	86
Released during the year	-	-	-	-
Provisions used during the year	-	(71)	(10)	(81)
Balance at 31 December 2016	53	71	-	124
Due within one year or less	-	46	-	46
Due after more than one year	53	25	-	78
	53	71	-	124

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 relatively evenly over the next 3 years, with a slight weighting towards the first year.

13. Defined contribution pension scheme

The Company operates a Group Personal Pension Plan. Payments made to the Plan during the year amounted to £90,000 (2016: £87,000). There were no outstanding or prepaid contributions at the end of the financial year.

14. Share capital

	31 December 2017 £000	31 December 2016 £000
Allotted, called up and fully paid		
769,395 preference shares of £1 each (2016: 769,395)	769	769
100,000 Ordinary shares of £0.01 each (2016: 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 2017 £000	Year ended 2016 £000
Capital		
Share Capital	770	770
Other Reserve	(1,854)	(1,882)
Retained earnings	3,941	3,594
	<u>2,857</u>	<u>2,482</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. During the year there was a £28k movement in the other reserve as a result of the write off of acquired goodwill of Marina Quay Rental Limited, upon its liquidation.

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 arms-length basis.

	2017			2016		
	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	8	-	1	-	-
Interest payable	-	-	-	-	-	-
Total	1	8	-	1	-	-
b) Sales of goods and services						
Commission receivable	25	-	76	23	-	69
Property searches	-	-	157	-	-	131
Total	25	-	233	23	-	200
c) Purchase of goods and services						
Energy performance certificates	-	-	75	-	-	65
Shared service recharges	-	807	-	-	607	-
Total	-	807	75	-	607	65
d) Outstanding balances						
Receivables from related parties	-	-	31	-	-	33
Payables to related parties	-	(86)	-	-	(346)	-
Total	-	(86)	31	-	(346)	33

There are no provisions in respect of goods and services to Related Parties, at 31 December 2017, (2016: £Nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16. Acquisitions

On 3 November 2017, Peter Alan Limited acquired Roberts & Co Property Management Limited (Roberts & Co) for £750k, of which £180k is deferred. Roberts & Co is a lettings and property management business and this acquisition has strengthened the Group's lettings proposition.

This acquisition generated the following goodwill:

	Book value of assets / (liabilities) acquired	Fair value /acquisitions adjustments	Total
	£'000	£'000	£'000
Intangible assets	-	478	478
Deferred tax	-	(86)	(86)
Net assets	-	392	392
Cash paid to acquire the businesses			570
Deferred consideration			180
Goodwill			358
Contribution to income from acquisition			113
Contribution to profit from acquisition			30

The acquisition accounting for Roberts & Co is provisional and will be finalised in the 2018 financial year.

Where intangible assets can be separately identified, in accordance with IAS 38, these are recognised within the fair values of the assets acquired. The residual excess of the consideration over the total net assets acquired is recognised as goodwill in the financial statements.

The valuation techniques used for determining the fair value of the intangible assets acquired were as follows:

Customer relationships and pipeline business – Customer relationships and pipelines were valued using the discounted cash flow method. The expected cash flows arising from each relationship or pipeline were discounted to their present value. Management determined appropriate profit margins and expected profits based on historical performance.

The consideration paid exceeds the fair value of the net assets acquired and this premium (goodwill) arises as a result of the expected future economic benefit arising from the purchase and the expected economic synergies between the businesses.

During the prior year the Company acquired 3 businesses. The total consideration paid was £556,000 and goodwill recognised was £181,000. The revenue and PBT generated by these businesses in 2016 was £123,000 and £61,000 respectively.

17. Investments

At 31 December 2017, 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 2017	Proportion of ordinary shares held 2016
Marina Quay Rentals Limited	Lettings (In liquidation)	100%	100%
Marina Quay Limited	Residential estate agency (In liquidation)	100%	100%
Thomas George Cardiff Limited	Residential estate agency (In liquidation)	100%	100%
Mead Property Management Services Limited	Residential estate agency (In liquidation)	100%	100%
Roberts & Co Property Management Limited	Lettings	100%	-

Marina Quay Limited, Marina Quay Rentals Limited, Thomas George Cardiff Limited and Mead Property Management Services Limited were put into solvent liquidation in the year as the trade and assets were previously hived up into Peter Alan Limited.

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)

18. Capital and operating lease commitments

The Company had no capital commitments at the year-end (2016: £58k).

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 2017 £000	31 December 2016 £000
<i>Amounts falling due:</i>		
Less than one year	685	591
Between one and five years	2,052	2,388
More than five years	1,130	1,587
	3,867	4,566

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 2017 £000	Year ended 2016 £000
<i>Amounts falling due:</i>		
Less than one year	36	27
Between one and five years	116	109
More than five years	-	6
	152	142

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:

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Financial instruments (continued)

2016

	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	1,312	1,312	877	424	5	6

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 2017 £000	Year ended 2016 £000
Cash and cash equivalents	1,326	669
Trade receivables	345	330
Other receivables	37	107
Amounts due from group companies	31	33
	1,739	1,139

As stated in note 12, 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 2017 £000	31 December 2016 £000
Individual customers	200	198
Other commercial customers	145	132
	345	330

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Financial instruments (continued)

The cash and cash equivalents consist only of bank balances, and is held with an institution 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