The Asset Management Group Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2010

(Registered Number 03292378)

Contents

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010

PRINCIPAL ACTIVITES AND FUTURE DEVELOPMENTS

The Asset Management Group Ltd continues to provide services to corporate clients in connection with the arrangement of the sale of vacant residential properties throughout the UK

The Asset Management Group Limited is a private limited company registered in England and Wales, registered number, 03292378

BUSINESS REVIEW

The results for the year are shown in the Statement of Comprehensive Income and notes During 2010 levels of repossessions in the market place were below forecasts, and this had a negative effect on new business received Income levels and profitability in the coming financial year depend on levels of new instructions and the state of the housing market but are expected to be broadly in line with 2010

Set out below is an overview of the objectives of the business and the challenges it faces, as well as the key measures used to monitor the performance of the business

Objectives and strategy of the Company

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

Operational performance and key performance indicators

The Directors monitor the business at monthly board meetings

Operational review

	2010 **£000**	**2009** **£000**	**Change** **%**
Total fees and commissions	20,824	27 095	-23%
Total operating profit	4,805	6,702	-28%
Profit before tax	6 437	10,719	-40%
Total assets	4 018	9 204	-56%

Risks and uncertainties

The Company's objective is to appropriately manage all the risks that arise from its activities Skipton Building Society, the ultimate parent company, has a formal structure for managing risks throughout the Group This has three elements

- First, we have documented our risk appetite in detailed policy risk statements, which are reviewed and approved annually by the Board There is a separate risk committee, which has responsibility for managing The Asset Management Group's risks
- Secondly whilst the primary responsibility for managing risk and ensuring controls are in place to manage risk lies with the Company's management Skipton Building Society, the ultimate parent company, have relevant risk management functions which covers the Company's risks Their role is to provide a monitoring and oversight role in relation to these
- Finally the Skipton Group Board Audit Committee, through the internal audit department monitors the effectiveness of the risk management framework

In common with other asset managers, the Company is reasonably highly operationally geared Performance is affected by the state of the residential housing market so that in the short term, most costs are fixed so when income falls this has a direct and adverse 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

Directors' Report *(continued)*

RISKS AND UNCERTAINTIES (continued)

Asset management is a people business and as such is reliant on the ability, training, skills and motivation of its staff A key risk to the business is the possibility of losing staff, particularly amongst senior managers and directors In order to combat this, the Board ensure that service agreements, remuneration packages, and human resources policies are adequate to retain key employees

DIVIDENDS

During the year an interim dividend of £7,000 000 was paid (2009 £9,500,000) The Directors do not propose the payment of a final dividend (2009 £nil)

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who served during the year were

RS Shipperley
DC Livesey
AS Gill
A Chambers
S Matthews
M Beer

CREDITOR PAYMENT POLICY

The Company's policy concerning the payment of suppliers for the next financial year is to agree terms of payment in advance and to make the payment in accordance with agreed terms and any other legal obligations At the year end, there was an average of 13 days' purchases outstanding (2009 20 days)

CHARITABLE AND POLITICAL DONATIONS

During the year the Company made donations to charities totalling £2,200 (2009 £2,500) No contributions were made for political purposes (2009 £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

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 a suitable alternative employment

DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors are 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 auditors are aware of that information

Directors' Report (*continued*)

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the board

A Chambers
Director

18 February 2011

13 – 21 High Street
Guildford
Surrey
GU1 3DG

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

The Directors are responsible for preparing 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 IFRSs as adopted by the EU and applicable law

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ASSET MANAGEMENT GROUP LIMITED

We have audited the financial statements of The Asset Management Group Limited for the year ended 31 December 2010 set out on pages 8 to 21 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

B J Stapleton

B J Stapleton (Senior Statutory Auditor) for and on behalf of KPMG Audit Plc, Statutory Auditor

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

21 February 2011

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Year ended 2010 £000	Year ended 2009 £000
Revenue	1	20,824	27,095
Cost of Sales		(13,732)	(17,625)
Gross profit		**7,092**	**9,470**
Administrative expenses		(2,287)	(2,768)
Profit from operations	2	**4,805**	**6,702**
Financial income	3	32	17
Dividend income		1,600	4,000
Profit before tax		**6,437**	**10,719**
Taxation	5	(1,364)	(1,924)
Profit for the period being total comprehensive income		**5,073**	**8,795**

In both the current and preceding period the Company made no material acquisitions and had no discontinued operations

There were no recognised income and expense items in the current period (2009 £nil) other than those reflected in the above Statement of Comprehensive Income

The notes on pages 12 to 21 form part of these financial statements

Statement of Financial Position

AT 31 DECEMBER 2010

	Notes	£000	31 December 2010 £000	£000	31 December 2009 £000
Current assets					
Inventories	6	1,478		2,036	
Trade and other receivables	7	1,699		3,322	
Cash and cash equivalents		796		3,737	
Total current assets			3,973		9,095
Non-current assets					
Property, plant and equipment	8	42		94	
Investments	9	-		-	
Deferred tax asset	11	3		15	
Total non-current assets			45		109
Total assets			4,018		9,204
Current liabilities					
Trade and other payables	10	2,147		5,321	
Tax payable		601		676	
Total current liabilities			2,748		5,997
Non-current liabilities					
Trade and other payables due after one year	10	348		358	
			348		358
Total liabilities			3,096		6,355
Equity– attributable to the owners of the Company					
Share capital	13	-		-	
Retained earnings		922		2,849	
			922		2,849
Total equity and liabilities			4,018		9,204

These accounts were approved by the board of directors on 18 February 2011 and signed on its behalf by

A Chambers
Director

Company registration number 03292378

The notes on pages 12 to 21 form part of these accounts

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2010	-	2,849	2,849
Total comprehensive income for the year	-	5,073	5,073
Dividend paid	-	(7,000)	(7,000)
Balance at 31 December 2010	-	922	922
Balance at 1 January 2009	-	3,554	3,554
Total comprehensive income for the year	-	8 795	8 795
Dividend paid	-	(9,500)	(9,500)
Balance at 31 December 2009	-	2,849	2,849

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Year ended 31 December 2010 £000	Year ended 31 December 2009 £000
Cash flows from operating activities			
Profit for the year		5,073	8,795
Adjustments for			
Depreciation and amortisation charges	2	37	46
Financial income	3	(32)	(17)
Dividend income		(1,600)	(4,000)
Tax expense	5	1,364	1,924
Operating profit before changes in working capital and provisions		4,842	6,748
Decrease in inventories		558	1,097
Decrease/(increase) in trade and other receivables		1,629	(875)
(Increase)/decrease in prepayments		(6)	4
(Decrease)/increase in trade and other payables		(3,184)	3,274
Cash generated from operations		3 839	10,248
Income taxes paid		(1 427)	(2,076)
Net cash inflow from operating activities		**2,412**	**8,172**
Cash flows from investing activities			
Interest received		32	17
Dividends received		1,600	4,000
Proceeds on disposal of property, plant and equipment		17	-
Purchases of property, plant and equipment	8	(2)	(38)
Net cash inflow from investing activities		**1,647**	**3,979**
Cash flows from financing activities			
Dividends paid		(7,000)	(9,500)
Net cash outflow from financing activities		**(7,000)**	**(9,500)**
Net (decrease)/increase in cash and cash equivalents		(2,941)	2,651
Cash and cash equivalents at 1 January		3,737	1,086
Cash and cash equivalents at 31 December		**796**	**3,737**

The notes on pages 12 to 21 form part of these accounts

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The Asset Management Group Limited (the "Company") is a company incorporated and domiciled in the UK The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's accounts

a) Basis of accounting

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

The Financial Statements are presented in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the EU and effective at 31 December 2010 The Directors have adopted IFRS 3, Business Combinations (Revised) and IAS 27, Consolidated and Separate Financial Statements (2008), and Eligible Hedged Items (Amendment to IAS 39, Financial Instruments Recognition and Measurement) There is no impact on these financial statements on adopting these accounting standards

Measurement convention

These financial statements are prepared on the historical cost basis

Currency presentation

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 3 The financial position of the Company, its cash flows, and liquidity position are shown on pages 8 to 11 In addition the Directors Report and notes to these financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk

The Company has considerable financial resources, as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook The Directors believe that the Company has adequate resources to continue to operate for the foreseeable future 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 commissions receivable by the Company Commission earned is accounted for on exchange of property contracts

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 on the following bases

Fixtures & Fittings	-	20% straight line
Motor vehicles	-	25% of net book value

d) Trade and other receivables

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

e) Trade and other payables

Trade and other payables are stated at their fair value

f) Operating leases

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1 Accounting policies (continued)

g) Finance leases

Where the Company enters into a lease, which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease The asset is recorded in the Statement of Financial Position as property, plant and equipment and is depreciated in accordance with the above depreciation policies Future instalments under such leases, net of finance charges, are included within current liabilities Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability The finance charge is allocated to the Statement of Comprehensive Income on a straight line basis, and the capital element reduces the outstanding obligation for future rentals

h) Inventories

Inventories, which is represented by work in progress is valued at the lower of cost and net realisable value

i) Taxation

Income tax on the profits for the year comprises current tax and deferred tax Income tax is recognised in the Statement of Comprehensive Income except where items are recognised directly in equity, in which case the associated income tax asset or liability is recognised via equity

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

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

j) Employee benefits

Certain permanent employees are members of the Asset Management Group Limited defined contribution pension scheme and 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 Statement Of Comprehensive Income as incurred

k) Cash and cash equivalents

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

l) Net financing costs

Interest income and interest payable is recognised in profit or loss as they accrue, using the effective interest method

2 Expenses and auditors' remuneration

	Year ended 2010 £000	Year ended 2009 £000
Included in profit are the following		
Depreciation of property, plant and equipment	37	46
Staff costs (see note 4)	1,916	2,319
Rentals payable under operating leases	115	114
Auditors' remuneration and expenses		
Audit of these financial statements	12	30

3 Financial income

	Year ended 2010 £000	Year ended 2009 £000
Bank interest	17	8
Interest received from ultimate Parent Company	15	9
	32	17

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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 2010 No	Year ended 2009 No
Directors	6	6
Administration	53	55
	59	61

The aggregate payroll costs of these persons were as follows	Year ended 2010 £000	Year ended 2009 £000
Wages and salaries	1,682	2,050
Social security costs	185	226
Other pension costs	49	43
	1,916	2,319

Directors' Emoluments	£000	£000
Directors' emoluments	420	491
Company contributions to defined contribution pension plans	9	8
	429	499

Under long term incentive schemes, the Directors have accrued £25,838 on an annual basis (2009 £208 813) These are payable upon completion of a three year service term Four of the Directors are remunerated by another group company The aggregate emoluments of the highest paid director was £258,252 (2009 £291,708), and contributions of £5,500 (2009 £5,383) to defined contribution pension schemes

5 Tax expense

	Year ended 2010 £000	Year ended 2009 £000
a) Analysis of expense in the year at 28% (2009 28%)		
Current tax expense		
Current tax at 28% (2009 28%)	1 367	1,916
Adjustment for prior years	(15)	12
Total current tax	1 352	1,928
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	(2)	(4)
Adjustment in respect of prior periods	14	-
Total deferred tax	12	(4)
Tax expense	1,364	1,924

b) Factors affecting current tax expense in the year

The charge for the period can be reconciled to the profit per the Statement of Comprehensive Income as follows

	2010	2009
Profit before tax	6,437	10,719
Tax on profit at UK standard rate of 28% (2009 28%)	1 802	3,001
Effects of		
Income not taxable for tax purposes	(448)	(1,120)
Expenses not deductible for tax purposes	10	30
Adjustment to tax expense in respect of prior periods	-	13
Tax expense	1,364	1,924

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6 Inventories

	31 December 2010 £000	31 December 2009 £000
Work in progress	1,478	2,036

Work in progress represents costs incurred in the preparation of properties for sale, where contracts for the sale of properties were not exchanged until after the year end

7 Trade and other receivables

	31 December 2010 £000	31 December 2009 £000
Trade receivables	687	1,176
Amounts due from group companies	970	2,110
Other receivables	-	-
Prepayments and accrued income	42	36
	1,699	3,322

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

	31 December 2010 £000 Gross	31 December 2010 £000 Impairment	31 December 2009 £000 Gross	31 December 2009 £000 Impairment
Not past due	537	-	809	-
Past due 0 – 30 days	114	-	200	-
Past due 31 – 120 days	23	-	90	-
Past due 120 days plus	13	-	77	-
	687	-	1,176	-

8 Property, plant and equipment

	Motor Vehicles £000	Fixtures & Fittings £000	Total £000
Cost			
At 1 January 2010	52	272	324
Additions	-	2	2
Disposals	(44)	-	(44)
At 31 December 2010	8	274	282
Accumulated depreciation and impairment			
At 1 January 2010	33	197	230
Depreciation charge for the year	1	36	37
Eliminated on disposals	(27)	-	(27)
At 31 December 2010	7	233	240
Carrying amounts			
At 1 January 2010	19	75	94
At 31 December 2010	1	41	42

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8 Property, plant and equipment (continued)

	Motor Vehicles £000	Fixtures & Fittings £000	Total £000
Cost			
At 1 January 2009	52	234	286
Additions	-	38	38
At 31 December 2009	52	272	324
Accumulated depreciation and impairment			
At 1 January 2009	27	157	184
Depreciation charge for the period	6	40	46
At 31 December 2009	33	197	230
Carrying amounts			
At 1 January 2009	25	77	102
At 31 December 2009	19	75	94

9 Fixed asset investments

	Shares in Group Undertakings £
Cost	
At 1 January 2010, and 31 December 2010	6

The Company owns 100% of the ordinary issued share capital of AMG North East Limited, AMG Services Limited, AMG Projects Limited, and AMG Relocation Limited All of these companies are registered England and Wales AMG Services Limited ceased trading during 2008 and is now a dormant company

The principal activities of the subsidiary companies are the arrangement of the sale of properties or associated services, with the exception of AMG Relocation Limited, which is involved in corporate relocation activities

10 Trade and other payables

	31 December 2010 £000	31 December 2009 £000
Due within one year		
Trade payables	371	650
Amounts owed to group undertakings	263	2,528
Other taxes and social security costs	362	408
Accruals and deferred income	1,151	1,735
	2,147	5,321
Due after more than one year		
Accruals and deferred income	348	358

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11 Deferred tax

The movement on the deferred tax account is as shown below

	31 December 2010 £000	31 December 2009 £000
At 1 January	15	11
(Charge)/credit in Statement of Comprehensive Income	(12)	4
At 31 December	3	15

Deferred tax asset	Accelerated capital allowances £000	Total £000
At 1 January 2010	15	15
Charged to Statement of Comprehensive Income	(12)	(12)
At 31 December 2010	3	3

Net deferred tax asset

At 1 January 2010	15
At 31 December 2010	3

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised Deferred tax assets are reviewed at least annually and are reduced to the extent that it is no longer probable that the related tax benefit will be realised Deferred taxes are calculated on timing differences under the liability method using an effective tax rate of 27% (2009 28%) as this is the enacted rate that is expected to apply when the temporary differences reverse

12 Defined contribution scheme

The Company operates a stakeholder pension scheme, the assets of which are held separately from those of the Company, as independently administered funds The amount charged to the Statement of Comprehensive Income in respect of the stakeholder pension schemes is the contribution payable in the year by the Company and amounted to £49,143 (2009 £42,909) The Company had contributions of £9,628 outstanding at the end of the financial period (2009 £10 460)

13 Share capital

	31 December 2010 £	31 December 2009 £
Allotted, called up and fully paid		
£1 Ordinary shares	200	200
	200	200

The concept of authorised share capital was abolished under the UK Companies Act 2006 with effect from 1 October 2009 and consequential amendments to the Company's Articles of Association were approved by shareholders at the 2009 Annual General Meeting

Management of capital

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

	Year ended 2010 £000	Year ended 2009 £000
Capital		
Ordinary shares	-	-
Retained earnings	922	2,849
	922	2,849

The Company objectives when managing capital are

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

The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act, with which it complies

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13 Share capital (continued)

The period end capital position is reported to the Operational Board on a monthly basis The capital position is also given due consideration when corporate plans are prepared

14 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

2010	Ultimate parent undertaking £000	Parent undertaking £000	Other group Companies £000	Subsidiary undertaking £000
a) Net interest				
Interest receivable	15	-	-	-
Interest payable	-	-	-	-
Total	15	-	-	-
b) Sales of goods and services				
Office rental	-	-	-	-
Total	-	-	-	-
c) Purchase of goods and services	-	-	(2,164)	(2,946)
Total	-	-	(2,164)	(2,946)
d) Outstanding balances				
Interest receivable	-	-	-	-
Interest payable	-	-	-	-
Sale of goods and services	-	-	33	937
Purchase of goods and services	-	-	(65)	(168)
Total	-	-	(32)	769

2009	Ultimate parent undertaking £000	Parent undertaking £000	Other group Companies £000	Subsidiary undertaking £000
a) Net interest				
Interest receivable	9	-	-	-
Interest payable	-	-	-	-
Total	9	-	-	-
b) Sales of goods and services				
Office rental	-	-	-	12
Total	-	-	-	-
c) Purchase of goods and services	-	-	(3,273)	(3,603)
Total	-	-	(3,273)	(3,603)
d) Outstanding balances				
Interest receivable	-	-	-	-
Interest payable	-	-	-	-
Sale of goods and services	-	-	-	2,110
Purchase of goods and services	-	-	(2,213)	(277)
Total	-	-	(2,213)	1,833

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14 Related party transactions (continued)

All transactions are dealt with on normal credit terms

P A Rooney is a director and controlling shareholder in Arun Estate Agencies Limited he is also a minority shareholder in The Asset Management Group Ltd The Company has purchased goods and services of £427,000 (2009 £576,000) from Arun Estate Agencies Limited during the year The Company has payables due to Arun Estate Agencies Limited of £30,000 as at 31 December 2010 (2009 £38 000)

A C Chambers is a director of Kinleigh Folkard & Hayward Limited The Company has purchased goods and services of £45,334 (2009 £nil) from Kinleigh Folkard & Hayward Limited during the year The Company has payables due to Kinleigh Folkard & Hayward Limited of £1,601 as at 31st December 2010 (2009 £nil)

There are no provisions in respect of goods and services to Related Parties, either at 31 December 2010 or at 31 December 2009 Included in cash and cash equivalents is £nil (2009 £2,000,000) of cash held on deposit with the Skipton Building Society All transactions are dealt with on normal credit terms

15 Capital and operating lease commitments

The Company had no capital commitments at the year end (2009 nil)

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

	31 December 2010 £000	**31 December 2009 £000**
Amounts falling due		
Less than one year	53	113
Between one and five years	15	53
More than five years	-	-
	68	**166**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16 Financial instruments

Financial risks

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

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

Liquidity risk

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

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

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

	Carrying amount £000	Contractua l cash flows £000	In not more than one month £000	In not more than 3 months £000	In more than 3 months but not less than 1 year £000	In more than one year but not more than 5 years £000
Trade and other payables	371	371	371	-	-	-
Amounts owing to group companies	263	263	263	-	-	-
Total	634	634	634	-	-	-

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 its trade and other receivables For maximum credit exposure see note 7 Management carefully manages its exposure to credit risk

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor 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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17 Adoption of new and revised International Financial Reporting Standards

Disclosed below are new standards and interpretations, which have been adopted during the period

- *IFRS 3 2010 Business Combinations (Revised)* This standard replaces IFRS 3, *Business Combinations (2004)* and is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009 The main changes in this standard are that the cost of investment will comprise the consideration paid to the vendors for equity with acquisition costs being expensed immediately, goodwill will be accounted for only upon the acquisition of a subsidiary as subsequent changes in interest will be recognised in equity and only upon the loss of control will any profit or loss be recognised in the Statement of Comprehensive Income Further, any pre-existing holding within the acquired entity will, where control is subsequently gained, be revalued with any profit or loss arising being credited / charged through the Statement of Comprehensive Income This standard has had no impact on these financial statements in 2010

- IAS 27,*Consolidated and Separate Financial Statements (2008)* The amended standard must be applied for annual periods beginning on or after 1 July 2009 The amendments to this standard require the effects of all transactions with non-controlling interests to be recorded in equity if there has been no change in control The changes also specify the accounting where control of an entity is lost This standard has had no impact on these financial statements in 2010

- Eligible Hedged Items (Amendment to IAS 39 *Financial Instruments Recognition and Measurement*) The amended standard must be applied for annual periods beginning on or after 1 July 2009 The amendment clarifies how the existing principles underlying hedge accounting should be applied in the designation of a one-sided risk in a hedged item and inflation in a financial hedged item This amendment has had no impact on these financial statements in 2010

18 Ultimate parent undertaking

The Company is a 75% 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

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