

**The Asset Management Group Limited**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2012**

**(Registered Number 03292378)**



**Contents**

<b>Directors' report</b>	<b>3</b>
<b>Statement of directors' responsibilities in respect of the directors' report and the financial statements</b>	<b>5</b>
<b>Independent auditors' report to the members of The Asset Management Group Limited</b>	<b>6</b>
<b>Statement of Comprehensive Income</b>	<b>7</b>
<b>Statement of Financial Position</b>	<b>8</b>
<b>Statement of Changes in Equity</b>	<b>9</b>
<b>Statement of Cash Flows</b>	<b>10</b>
<b>Notes</b>	<b>11</b>

## Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2012

### PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Asset Management Group Limited 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 2012 levels of repossessions were largely as forecast. 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 2012.

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*

	2012 £000	2011 £000	Change %
Total fees and commissions	22,565	18,113	25%
Total operating profit	4,644	3,746	24%
Profit before tax	5,147	5,050	2%
Total assets	5,588	4,478	25%

#### *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.

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.

## Directors' Report *(continued)*

### DIVIDENDS

During the year an interim dividend of £4,000,000 was paid (2011 £4,000,000) The Directors do not propose the payment of a final dividend (2011 £nil)

### DIRECTORS

The Directors who served during the year were

RS Shipperley  
DC Livesey  
AS Gill (resigned 28 June 2012)  
A Chambers  
S Matthews  
M Beer (resigned 14 March 2012)  
CA Coxon (appointed 14 March 2012)  
MJ Oliver (appointed 28 June 2012)

### 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 19 days' purchases outstanding (2011 16 days)

### CHARITABLE AND POLITICAL DONATIONS

During the year the Company made donations to charities totalling £2,002 (2011 £3,035) No contributions were made for political purposes (2011 £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

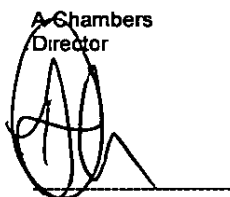
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make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

### 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



8 February 2013

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 2012 set out on pages 7 to 19. 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 5, 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 Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 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 11 February 2013

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

## Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 2012 £000	Year ended 2011 £000
Revenue	1	22,565	18,113
Cost of Sales		(15,342)	(12,041)
<b>Gross profit</b>		<b>7,223</b>	<b>6,072</b>
Administrative expenses	2	(2,579)	(2,326)
<b>Profit from operations</b>		<b>4,644</b>	<b>3,746</b>
Financial income	3	3	4
Dividend income		500	1,300
<b>Profit before tax</b>		<b>5,147</b>	<b>5,050</b>
Taxation	5	(1,157)	(1,011)
<b>Profit for the year being total comprehensive income</b>		<b>3,990</b>	<b>4,039</b>

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

There were no recognised income and expense items in the current year (2011 £nil) other than those reflected in the above Statement of Comprehensive Income


The notes on pages 11 to 19 form part of these financial statements

## Statement of Financial Position

AT 31 DECEMBER 2012

	Notes	£000	31 December 2012 £000	£000	31 December 2011 £000
<b>Non-current assets</b>					
Property, plant and equipment	6	80		49	
Investments	7	-		-	
Deferred tax asset	11	7		6	
<b>Total non-current assets</b>			87		55
<b>Current assets</b>					
Inventories	8	1,877		2,064	
Trade and other receivables	9	1,220		1,430	
Cash and cash equivalents		2,404		929	
<b>Total current assets</b>			5,501		4,423
<b>Total assets</b>			<b>5,588</b>		<b>4,478</b>
<b>Current liabilities</b>					
Trade and other payables	10	3,653		2,629	
Tax payable		603		484	
<b>Total current liabilities</b>			4,256		3,113
<b>Non-current liabilities</b>					
Trade and other payables due after one year	10	381		404	
<b>Total non-current liabilities</b>			381		404
<b>Total liabilities</b>			4,637		3,517
<b>Equity- attributable to the owners of the Company</b>					
Share capital	13	-		-	
Retained earnings	13	951		961	
<b>Total equity</b>			951		961
<b>Total equity and liabilities</b>			<b>5,588</b>		<b>4,478</b>

These accounts were approved by the board of directors on 8 February 2013 and signed on its behalf by

  
A Chambers  
Director

Company registration number 03292378

The notes on pages 11 to 19 form part of these accounts



## Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2012	-	961	961
Total comprehensive income for the year	-	3,990	3,990
Dividend paid	-	(4,000)	(4,000)
<b>Balance at 31 December 2012</b>	<b>-</b>	<b>951</b>	<b>951</b>
Balance at 1 January 2011	-	922	922
Total comprehensive income for the year	-	4,039	4,039
Dividend paid	-	(4,000)	(4,000)
<b>Balance at 31 December 2011</b>	<b>-</b>	<b>961</b>	<b>961</b>

## Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 2012 £000	Year ended 2011 £000
<b>Cash flows from operating activities</b>			
Profit for the year		3,990	4,039
Adjustments for			
Depreciation and amortisation charges	2	31	30
Financial income	3	(3)	(4)
Dividend income		(500)	(1,300)
Tax expense	5	1,157	1,011
<b>Operating profit before changes in working capital and provisions</b>		4,675	3,776
Decrease / (increase) in inventories		187	(586)
Decrease in trade and other receivables		208	250
Decrease in prepayments		2	19
Increase in trade and other payables		1,001	538
<b>Cash generated from operations</b>		6,073	3,997
Taxes paid		(1,039)	(1,131)
<b>Net cash inflow from operating activities</b>		5,034	2,866
<b>Cash flows from investing activities</b>			
Interest received		3	4
Dividends received		500	1,300
Proceeds on disposal of property, plant and equipment		1	-
Purchases of property, plant and equipment	6	(63)	(37)
<b>Net cash inflow from investing activities</b>		441	1,267
<b>Cash flows from financing activities</b>			
Dividends paid		(4,000)	(4,000)
<b>Net cash outflow from financing activities</b>		(4,000)	(4,000)
<b>Net increase in cash and cash equivalents</b>		1,475	133
Cash and cash equivalents at 1 January		929	796
<b>Cash and cash equivalents at 31 December</b>		<b>2,404</b>	<b>929</b>

The notes on pages 11 to 19 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 2012. There have been no new accounting policies adopted in the year.

#### Measurement convention

These financial statements are prepared on the historical cost basis.

#### Currency presentation

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

#### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 3. The financial position of the Company, its cash flows, and liquidity position are shown on pages 7 to 10. 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. Panel fee income is deferred over the membership period.

#### 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% - 33 33% 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.

#### g) Inventories

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

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 1 Accounting policies *(continued)*

#### h) 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 taxable 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.

#### i) 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.

#### j) 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.

#### k) Net financing costs

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

### 2 Expenses and auditors' remuneration

	Year ended 2012 £000	Year ended 2011 £000
Included in profit are the following		
Depreciation of property, plant and equipment	31	30
Staff costs (see note 4)	2,083	1,969
Rentals payable under operating leases	117	116
Auditors' remuneration and expenses		
Audit of these financial statements	<u>16</u>	<u>17</u>

### 3 Financial income

	Year ended 2012 £000	Year ended 2011 £000
Bank interest	<u>3</u>	<u>4</u>

## 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 2012 No	Year ended 2011 No
Directors	6	6
Administration	55	49
	<u>61</u>	<u>55</u>

The aggregate payroll costs of these persons were as follows

	Year ended 2012 £000	Year ended 2011 £000
Wages and salaries	1,828	1,722
Social security costs	201	195
Other pension costs	54	52
	<u>2,083</u>	<u>1,969</u>

	£000	£000
<b>Directors' emoluments</b>		
Directors' emoluments	384	356
Company contributions to defined contribution pension plans	10	10
	<u>394</u>	<u>366</u>

Under long term incentive schemes, the Directors have accrued £110,005 (2011 £107,149). 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 £251,250 (2011 £226,384), and contributions of £6,083 (2011 £5,792) were made to defined contribution pension schemes.

### 5 Tax expense

#### a) Analysis of expense in the year at 24.5% (2011 26.5%)

	Year ended 2012 £000	Year ended 2011 £000
<b>Current tax expense</b>		
Current tax at 24.5% (2011 26.5%)	1,158	1,014
Adjustment for prior years	-	-
Total current tax	<u>1,158</u>	<u>1,014</u>
<b>Deferred tax credit</b>		
Origination and reversal of temporary differences	(1)	(3)
Adjustment in respect of prior periods	-	-
Total deferred tax	<u>(1)</u>	<u>(3)</u>
<b>Tax expense</b>	<u>1,157</u>	<u>1,011</u>

#### b) Factors affecting current tax expense in the year

The tax assessed in the Statement of Comprehensive Income is higher (2011 higher) than the standard UK corporation tax rate because of the following factors

	5,147	5,050
Profit before tax		
Tax on profit at UK standard rate of 24.5% (2011 26.5%)	1,261	1,338
Effects of:		
Income not taxable for tax purposes	(122)	(344)
Expenses not deductible for tax purposes	18	17
<b>Tax expense</b>	<u>1,157</u>	<u>1,011</u>

The tax charge for 2012 included the one-off effect on the deferred tax balances on the reduction in the corporation tax rate from 26% to 24%, which was effective from 1 April 2012.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 6 Property, plant and equipment

	Motor Vehicles £000	Fixtures & Fittings £000	Total £000
<b>Cost</b>			
At 1 January 2012	8	311	319
Additions	-	63	63
Disposals	(8)	(111)	(119)
At 31 December 2012	<u>-</u>	<u>263</u>	<u>263</u>
<b>Accumulated depreciation and impairment</b>			
At 1 January 2012	7	263	270
Depreciation charge for the year	-	31	31
Eliminated on disposals	(7)	(111)	(118)
At 31 December 2012	<u>-</u>	<u>183</u>	<u>183</u>
<b>Carrying amounts</b>			
At 1 January 2012	<u>1</u>	<u>48</u>	<u>49</u>
At 31 December 2012	<u>-</u>	<u>80</u>	<u>80</u>
	Motor Vehicles £000	Fixtures & Fittings £000	Total £000
<b>Cost</b>			
At 1 January 2011	8	274	282
Additions	-	37	37
At 31 December 2011	<u>8</u>	<u>311</u>	<u>319</u>
<b>Accumulated depreciation and impairment</b>			
At 1 January 2011	7	233	240
Depreciation charge for the year	-	30	30
At 31 December 2011	<u>7</u>	<u>263</u>	<u>270</u>
<b>Carrying amounts</b>			
At 1 January 2011	<u>1</u>	<u>41</u>	<u>42</u>
At 31 December 2011	<u>1</u>	<u>48</u>	<u>49</u>

### 7 Fixed asset investments

	Shares in Group Undertakings £
<b>Cost</b>	
At 1 January 2012, and 31 December 2012	<u>4</u>

The Company owns 100% of the ordinary issued share capital of AMG North East Limited, AMG Projects Limited, and AMG Relocation Limited. All of these companies are registered in England and Wales.

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 was previously involved in corporate relocation activities.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 8 Inventories

	31 December 2012 £000	31 December 2011 £000
Work in progress	<u>1,877</u>	<u>2,064</u>

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

### 9 Trade and other receivables

	31 December 2012 £000	31 December 2011 £000
Trade receivables	833	843
Amounts due from group companies	366	564
Prepayments and accrued income	<u>21</u>	<u>23</u>
	<u>1,220</u>	<u>1,430</u>

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

	31 December 2012 £000 Gross	31 December 2012 £000 Impairment	31 December 2011 £000 Gross	31 December 2011 £000 Impairment
Not past due	604	-	530	-
Past due 0 – 30 days	122	-	158	-
Past due 31 – 120 days	82	-	108	-
Past due 120 days plus	<u>25</u>	<u>-</u>	<u>47</u>	<u>-</u>
	<u>833</u>	<u>-</u>	<u>843</u>	<u>-</u>

### 10 Trade and other payables

	31 December 2012 £000	31 December 2011 £000
<b>Due within one year</b>		
Trade payables	626	435
Amounts owed to group undertakings	978	356
Other taxes and social security costs	468	306
Accruals and deferred income	<u>1,581</u>	<u>1,532</u>
	<u>3,653</u>	<u>2,629</u>
<b>Due after more than one year</b>		
Accruals and deferred income	<u>381</u>	<u>404</u>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 11 Deferred tax

The movement on the deferred tax account is as shown below

	31 December 2012 £000	31 December 2011 £000
At 1 January	6	3
Credit in Statement of Comprehensive Income	1	3
At 31 December	<u>7</u>	<u>6</u>
<b>Deferred tax asset</b>		<b>Accelerated capital allowances £000</b>
At 1 January 2012		6
Credited to Statement of Comprehensive Income		1
At 31 December 2012		<u>7</u>
<b>Net deferred tax asset</b>		
At 1 January 2012		<u>6</u>
At 31 December 2012		<u>7</u>

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 23% (2011: 25%) as this is the enacted rate that is expected to apply when the temporary differences reverse.

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly.

It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

### 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 scheme is the contribution payable in the year by the Company and amounted to £54,536 (2011: £51,840). The Company had contributions of £10,187 outstanding at the end of the financial year (2011: £10,114).

### 13 Share capital

	31 December 2012 £	31 December 2011 £
<b>Allotted, called up and fully paid</b>		
£1 Ordinary shares	<u>200</u>	<u>200</u>

### Management of capital

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

	Year ended 2012 £000	Year ended 2011 £000
<b>Capital</b>		
Ordinary shares	-	-
Retained earnings	<u>951</u>	<u>961</u>
	<u>951</u>	<u>961</u>

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. 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.



## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 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.

2012	Ultimate parent undertaking £000	Parent undertaking £000	Other group Companies £000	Subsidiary undertakings £000
<b>a) Net interest</b>				
Interest receivable	-	-	-	-
Interest payable	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>b) Sales of goods and services</b>				
Office rental	-	-	-	12
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12</b>
<b>c) Purchase of goods and services</b>	-	(727)	(1,313)	(2,564)
<b>Total</b>	<b>-</b>	<b>(727)</b>	<b>(1,313)</b>	<b>(2,564)</b>
<b>d) Outstanding balances</b>				
Interest receivable	-	-	-	-
Interest payable	-	-	-	-
Sale of goods and services	-	-	-	366
Purchase of goods and services	-	(759)	(72)	(147)
<b>Total</b>	<b>-</b>	<b>(759)</b>	<b>(72)</b>	<b>219</b>
<b>2011</b>	<b>Ultimate parent undertaking £000</b>	<b>Parent undertaking £000</b>	<b>Other group Companies £000</b>	<b>Subsidiary undertakings £000</b>
<b>a) Net interest</b>				
Interest receivable	-	-	-	-
Interest payable	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>b) Sales of goods and services</b>				
Office rental	-	-	-	12
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12</b>
<b>c) Purchase of goods and services</b>	-	(640)	(835)	(2,634)
<b>Total</b>	<b>-</b>	<b>(640)</b>	<b>(835)</b>	<b>(2,634)</b>
<b>d) Outstanding balances</b>				
Interest receivable	-	-	-	-
Interest payable	-	-	-	-
Sale of goods and services	-	13	-	551
Purchase of goods and services	-	(32)	(57)	(267)
<b>Total</b>	<b>-</b>	<b>(19)</b>	<b>(57)</b>	<b>284</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 14 Related party transactions (continued)

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 £382,794 (2011: £335,821) from Arun Estate Agencies Limited during the year. The Company has payables due to Arun Estate Agencies Limited of £28,850 as at 31 December 2012 (2011: £44,678).

A C Chambers is a director of Kinleigh, Folkard & Hayward Limited. The Company has purchased goods and services of £19,799 (2011: £6,563) from Kinleigh, Folkard & Hayward Limited during the year. The Company has payables due to Kinleigh, Folkard & Hayward Limited of £276 as at 31<sup>st</sup> December 2012 (2011: £nil).

Connells Ltd, the Company's immediate parent company, has a minority shareholding in Vibrant Energy Matters Limited. The company has purchased goods and services of £116,077 (2011: £13,500) from Vibrant Energy Matters Limited. The company has payables due to Vibrant Energy Matters Limited of £14,406 as at 31 December 2012 (2011: £nil).

There are no provisions in respect of goods and services to Related Parties, either at 31 December 2012 or at 31 December 2011. No cash was held on deposit with the Skipton Building Society, either at 31 December 2012 or at 31 December 2011. 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 (2011: nil).

The Company has commitments due under operating leases in respect of rental of plant and equipment. Total commitments under these non-cancellable operating leases are as follows:

	31 December 2012 £000	31 December 2011 £000
<i>Amounts falling due</i>		
Less than one year	19	22
Between one and five years	15	28
More than five years	-	-
	<u>34</u>	<u>50</u>

### 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	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	3,056	3,056	2,675	-	-	381
Amounts owing to group companies	978	978	978	-	-	-
<b>Total</b>	<u>4,034</u>	<u>4,034</u>	<u>3,653</u>	<u>-</u>	<u>-</u>	<u>381</u>

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

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 16 Financial instruments *(continued)*

#### **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 9. 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.

### 17 Adoption of new and revised International Financial Reporting Standards

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

### 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:

Companies House  
Crown Way  
Cardiff  
CF4 3UZ