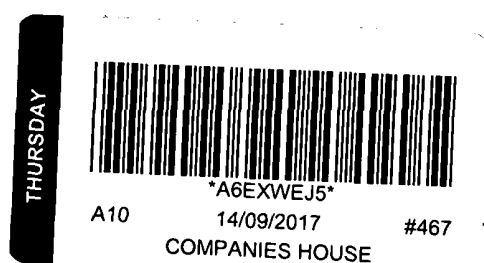


**The Asset Management Group Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2016**

**(Registered Number 03292378)**



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## Directors' Report

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

### 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.

### DIRECTORS

The Directors who served during the year were:

RS Shipperley  
DC Livesey  
RJ Twigg  
A Chambers  
S Matthews  
CA Coxon

### DIVIDENDS

During the year an interim dividend of £1,500,000 was paid (2015: £1,000,000). The Directors do not propose the payment of a final dividend (2015: £nil).

### DONATIONS

The Company made charitable donations of £800 in 2016 (2015: £845). There were no political donations.

### 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 suitable alternative employment.

### DISCLOSURE OF INFORMATION TO AUDITORS

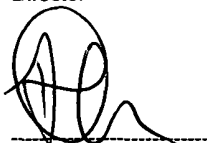
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself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

A Chambers  
Director



24 February 2017

13 – 21 High Street  
Guildford  
Surrey  
GU1 3DG

## Strategic Report

### BUSINESS REVIEW

The results for the year are shown in the Income Statement and notes. During 2016 levels of repossessions in the whole UK market were slightly lower than during 2015 which impacted negatively the revenue of the Company. Nevertheless the Company succeeded in winning new contracts and retaining existing ones during the year, and increasing its share of the market within which it operates. Despite the fall in revenue, tight cost control resulted in a 2% increase in profit for operations in the year. Income levels and profitability in the coming financial year will depend on levels of new instructions and the state of the housing market and we expect these to remain similar to 2016. 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 regular board meetings throughout the year.

#### *Operational review*

	2016 £000	2015 £000	Change %
Total fees and commissions	10,470	12,490	-16%
EBITDA	970	1,309	-26%
Profit from operations*	471	464	+2%
Profit before tax	1,474	966	+53%

\*Amortisation of £481,000 (2015: £825,000) relating to the acquisition of Connells Asset Management in December 2014 continues to impact the profit before tax.

#### *Risks and uncertainties*

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

This has three elements:

- The Company's risk appetite is documented in detailed policy risk statements, which are reviewed and approved annually by the Board.
- The primary responsibility for managing risk and ensuring appropriate controls are in place lies with the Company's management. The immediate and ultimate parent undertakings, Skipton Building Society and Connells Limited, through their risk and compliance function provide 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.

In common with other asset managers, the Company is reasonably highly operationally geared. Performance is inversely 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 ensures that service agreements, remuneration packages, and human resources policies are adequate to retain key employees.

By order of the board

A Chambers  
Director



24 February 2017

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 Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with *International Financial Reporting Standards (IFRSs)* as adopted by the EU and applicable law.

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

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

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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ASSET MANAGEMENT GROUP LIMITED

We have audited the financial statements of The Asset Management Group Limited for the year ended 31 December 2016 set out on pages 7 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 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 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' Report and the Strategic Report:

- we have not identified material misstatements in those reports; 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

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.



24 February 2017

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

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

## Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 2016 £000	Year ended 2015 £000
Revenue	1	10,470	12,490
Cost of Sales		(6,789)	(8,227)
<b>Gross profit</b>		<b>3,681</b>	<b>4,263</b>
Administrative expenses	2	(3,210)	(3,799)
<b>Profit from operations</b>		<b>471</b>	<b>464</b>
<b>Presented as: Earnings before interest, tax, depreciation, amortisation (EBITDA)</b>			
		<b>970</b>	<b>1,309</b>
Depreciation		(18)	(20)
Amortisation of intangibles		(481)	(825)
<b>Profit from operations</b>		<b>471</b>	<b>464</b>
Financial income	3	3	2
Dividend income		1,000	500
<b>Profit before tax</b>		<b>1,474</b>	<b>966</b>
Income tax expense	5	(109)	(105)
<b>Profit for the year</b>		<b>1,365</b>	<b>861</b>

In the current and previous year the Company made no material acquisitions and had no discontinued operations.

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

The notes on pages 11 to 21 form part of these financial statements.

## Statement of Financial Position

AT 31 DECEMBER 2016

	Notes	£000	31 December 2016 £000	£000	31 December 2015 £000
<b>Non-current assets</b>					
Intangible assets	6	998		1,479	
Property, plant and equipment	7	16		34	
<b>Total non-current assets</b>			1,014		1,513
<b>Current assets</b>					
Inventories	9	902		865	
Trade and other receivables	10	1,181		999	
Cash and cash equivalents		1,017		974	
<b>Total current assets</b>			3,100		2,838
<b>Total assets</b>			<b>4,114</b>		<b>4,351</b>
<b>Current liabilities</b>					
Trade and other payables	11	1,217		1,239	
Tax liabilities		158		119	
<b>Total current liabilities</b>			1,375		1,358
<b>Non-current liabilities</b>					
Trade and other payables	11	198		244	
Deferred tax liability	12	14		87	
<b>Total non-current liabilities</b>			212		331
<b>Total liabilities</b>			1,587		1,689
<b>Equity – attributable to the owners of the Company</b>					
Share capital	14	-		-	
Retained earnings	14	2,527		2,662	
<b>Total equity</b>			2,527		2,662
<b>Total equity and liabilities</b>			<b>4,114</b>		<b>4,351</b>

These accounts were approved by the board of directors on 24 February 2017 and signed on its behalf by:



A Chambers  
Director

Company registration number: 03292378

The notes on pages 11 to 21 form part of these accounts.



## Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2016	-	2,662	2,662
Total income for the year	-	1,365	1,365
Dividend paid	-	(1,500)	(1,500)
<b>Balance at 31 December 2016</b>	<b>-</b>	<b>2,527</b>	<b>2,527</b>
Balance at 1 January 2015	-	2,801	2,801
Total income for the year	-	861	861
Dividend paid	-	(1,000)	(1,000)
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>2,662</b>	<b>2,662</b>

The notes on pages 11 to 21 form part of these accounts.

## Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 2016 £000	Year ended 2015 £000
<b>Cash flows from operating activities</b>			
Profit for the year		1,365	861
Adjustments for:			
Amortisation of intangible assets	6	481	825
Depreciation of property, plant and equipment	7	18	20
Loss on disposal of property, plant & equipment		1	-
Financial income	3	(3)	(2)
Dividend income		(1,000)	(500)
Tax expense	5	109	105
<b>Operating profit before changes in working capital and provisions</b>		971	1,309
Decrease / (increase) in inventories		(37)	857
Decrease / (increase) in trade and other receivables		(182)	162
(Decrease) / increase in trade and other payables		(68)	(1,541)
<b>Cash generated from operations</b>		684	787
Taxes paid		(143)	(486)
<b>Net cash inflow from operating activities</b>		541	301
<b>Cash flows from investing activities</b>			
Interest received		3	2
Dividends received		1,000	500
Purchase of property, plant and equipment	7	(1)	(15)
<b>Net cash inflow from investing activities</b>		1,002	487
<b>Cash flows from financing activities</b>			
Dividends paid		(1,500)	(1,000)
<b>Net cash outflow from financing activities</b>		(1,500)	(1,000)
<b>Net increase / (decrease) in cash and cash equivalents</b>		43	(212)
Cash and cash equivalents at 1 January		974	1,186
<b>Cash and cash equivalents at 31 December</b>		<b>1,017</b>	<b>974</b>

The notes on pages 11 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, registered and domiciled in the UK. The following accounting policies have been applied consistently in these Company's accounts:

#### a) Basis of accounting

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

The Financial Statements are presented in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the EU and effective at 31 December 2016. There have been no new accounting policies adopted in the year.

#### Measurement convention

These financial statements are prepared on the historical cost basis.

#### Currency presentation

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

#### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on page 4. 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 sufficient financial resources, and the Directors believe that the Company is well placed to manage its business risks successfully in the expected economic outlook, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### b) Critical accounting estimates, and judgements in applying accounting policies

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.

- Intangible assets – significant estimates and judgements are made in determining the fair value of intangible assets arising in a business combination. Management have valued the intangible assets based on expected profits of the customer relationships and pipelines bought in the acquisition. The key judgements are the average fee and profit margin per case and the length of time the customer relationships will last. Management have based these assumptions on past performance.
- Taxation - significant estimates are required in determining the provision for deferred and corporation tax.

#### c) Goodwill

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

In accordance with IFRS 3, *Business Combinations*, 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 value in use calculations are carried out by discounting the future cash flows of the cash generating unit ("CGU") and comparing this to its value in use. Future cash flows are based upon approved profit budgets for the next five years (adjusted for depreciation and amortisation) and assumed growth thereafter for the next 10 years of 2.5%. The Company estimates discount rates based on a current cost of capital of the subsidiary. Impairment of a CGU's associated goodwill is recognised where the present value of future cash flows of the subsidiary is less than its carrying value. A fifteen year time horizon has been used to reflect that subsidiaries are held for the long term.

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

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

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

### 1. Accounting policies (continued)

#### d) Intangible assets

Intangible assets include acquired customer contracts and relationships that in the opinion of the directors meet the definition of an intangible asset. 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:

Pipeline - 6 months

Customer contracts and relationships - 1 to 3 years

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

#### e) 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.

#### f) 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:

Office equipment - 3 to 5 years

#### 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 stated initially at their fair value and then subsequently carried at their 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) Inventories

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

#### k) 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 equity, in which case the associated income tax is recognised via equity.

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

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

#### l) Employee benefits

Certain employees are members of the Asset Management Group Limited defined contribution pension 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.

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

### 1. Accounting policies (continued)

#### m) 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.

#### n) Net financing costs

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

### 2. Expenses and auditor's remuneration

	Year ended 2016 £000	Year ended 2015 £000
Profit after tax is stated after charging the following:		
Amortisation of intangible assets	481	825
Depreciation of property, plant and equipment	18	20
Staff costs (see note 4)	2,189	2,394
Rentals payable under operating leases	108	115
Auditor's remuneration and expenses:		
Audit of these financial statements	<u>20</u>	<u>19</u>

### 3. Financial income

	Year ended 2016 £000	Year ended 2015 £000
Bank interest	<u>3</u>	<u>2</u>

### 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 2016 No.	Year ended 2015 No.
Directors	6	6
Administration	<u>63</u>	<u>74</u>
	<u>69</u>	<u>80</u>

	Year ended 2016 £000	Year ended 2015 £000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	1,912	2,119
Social security costs	185	198
Other pension costs	92	77
	<u>2,189</u>	<u>2,394</u>

	£000	£000
Directors' emoluments		
Directors' emoluments	292	319
Company contributions to defined contribution pension plans	8	11
	<u>300</u>	<u>330</u>

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

### 4. Staff numbers and costs *(continued)*

Under long term incentive schemes, the Directors have accrued £32,525 (2015: £42,607). These are payable upon completion of a three year service term. Three of the serving Directors as at 31 December 2016 (2015:3) are remunerated by other Group companies, their services are inconsequential. The aggregate emoluments of the highest paid director was £191,819 (2015 £211,400), and contributions of £6,977 (2015: £6,840) were made to defined contribution pension schemes.

### 5. Tax expense

	Year ended 2016 £000	Year ended 2015 £000
<b>a) Analysis of expense in the year at 20% (2015: 20.25%)</b>		
<b>Current tax expense</b>		
Current tax at 20% (2015: 20.25%)	185	251
Adjustment for prior years	(3)	-
Total current tax	<u>182</u>	<u>251</u>
<b>Deferred tax credit</b>		
Origination and reversal of temporary differences	(75)	(155)
Adjustment in respect of prior periods	2	9
Total deferred tax	<u>(73)</u>	<u>(146)</u>
<b>Tax expense</b>	<u><u>109</u></u>	<u><u>105</u></u>

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

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

Profit before tax	1,474	966
Tax on profit at UK standard rate of 20% (2015: 20.25%)	295	196
Effects of:		
Income not taxable for tax purposes	(200)	(101)
Expenses not deductible for tax purposes	7	9
Adjustments in respect of previous periods	-	9
Tax rate changes	7	(8)
<b>Tax expense</b>	<u><u>109</u></u>	<u><u>105</u></u>

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

### 6. Intangible assets

	Goodwill £000	Sales Pipeline £000	Customer Contracts & Relationships £000	Total £000
<b>Cost</b>				
At 1 January and 31 December 2016	<u>557</u>	<u>360</u>	<u>1,444</u>	<u>2,361</u>
<b>Amortisation and impairment losses</b>				
At 1 January 2016	-	360	522	882
Amortisation for the year	-	-	481	481
Disposals	-	-	-	-
At 31 December 2016	<u>-</u>	<u>360</u>	<u>1,003</u>	<u>1,363</u>
<b>Carrying amounts</b>				
At 1 January 2016	<u>557</u>	<u>-</u>	<u>922</u>	<u>1,479</u>
At 31 December 2016	<u>557</u>	<u>-</u>	<u>441</u>	<u>998</u>

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

### 6. Intangible assets (continued)

	Goodwill £000	Sales Pipeline £000	Customer Contracts & Relationships £000	Total £000
<b>Cost</b>				
At 1 January 2015 and 31 December 2015	<u>557</u>	<u>360</u>	<u>1,444</u>	<u>2,361</u>
<b>Amortisation and impairment losses</b>				
At 1 January 2015	-	15	42	57
Amortisation for the year	-	345	480	825
Disposals	-	-	-	-
At 31 December 2015	<u>-</u>	<u>360</u>	<u>522</u>	<u>882</u>
<b>Carrying amounts</b>				
At 1 January 2015	<u>557</u>	<u>345</u>	<u>1,402</u>	<u>2,304</u>
At 31 December 2015	<u>557</u>	<u>-</u>	<u>922</u>	<u>1,479</u>

The above intangible assets arose on the acquisition of Connells Asset Management in December 2014.

### 7. Property, plant and equipment

	Office Equipment £000	Total £000
<b>Cost</b>		
At 1 January 2016	280	280
Additions	1	1
Disposals	(59)	(59)
At 31 December 2016	<u>222</u>	<u>222</u>
<b>Accumulated depreciation and impairment</b>		
At 1 January 2016	246	246
Depreciation charge for the year	18	18
Disposals	(58)	(58)
At 31 December 2016	<u>206</u>	<u>206</u>
<b>Carrying amounts</b>		
At 1 January 2016	<u>34</u>	<u>34</u>
At 31 December 2016	<u>16</u>	<u>16</u>

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

### 7. Property, plant and equipment (continued)

	Office Equipment £000	Total £000
<b>Cost</b>		
At 1 January 2015	265	265
Additions	15	15
Disposals	-	-
At 31 December 2015	<u>280</u>	<u>280</u>
<b>Accumulated depreciation and impairment</b>		
At 1 January 2015	226	226
Depreciation charge for the year	20	20
Eliminated on disposals	-	-
At 31 December 2015	<u>246</u>	<u>246</u>
<b>Carrying amounts</b>		
At 1 January 2015	<u>39</u>	<u>39</u>
At 31 December 2015	<u>34</u>	<u>34</u>

### 8. Fixed asset investments

	Shares in Group Undertakings £
<b>Cost</b>	
At 31 December 2016 and 2015	<u>3</u>

The Company owns 100% of the ordinary issued share capital of AMG North East Limited and AMG Projects Limited. Both 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.



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

### 9. Inventories

	31 December 2016 £000	31 December 2015 £000
Work in progress	<u>902</u>	<u>865</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.

### 10. Trade and other receivables

	31 December 2016 £000	31 December 2015 £000
Trade receivables	1,087	790
Amounts due from group companies	47	161
Prepayments and accrued income	<u>47</u>	<u>48</u>
	<u><b>1,181</b></u>	<u><b>999</b></u>

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

	31 December 2016 £000 Gross	31 December 2016 £000 Impairment	31 December 2015 £000 Gross	31 December 2015 £000 Impairment
Not past due	491	-	395	-
Past due 0 – 30 days	184	-	212	-
Past due 31 – 120 days	336	-	71	-
Past due 120 days plus	<u>76</u>	<u>-</u>	<u>112</u>	<u>-</u>
	<u><b>1,087</b></u>	<u><b>-</b></u>	<u><b>790</b></u>	<u><b>-</b></u>

### 11. Trade and other payables

	31 December 2016 £000	31 December 2015 £000
<b>Due within one year</b>		
Trade payables	160	167
Amounts owed to group undertakings	193	176
Other taxes and social security costs	244	215
Accruals and deferred income	<u>620</u>	<u>681</u>
	<u><b>1,217</b></u>	<u><b>1,239</b></u>
<b>Due after more than one year</b>		
Accruals and deferred income	<u><b>198</b></u>	<u><b>244</b></u>

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

12. Deferred tax	31 December 2016 £000	31 December 2015 £000
The movement on the deferred tax account is as shown below:		
At 1 January	(87)	(233)
Credit in Statement of Income	73	146
<b>At 31 December</b>	<b>(14)</b>	<b>(87)</b>

Deferred tax liability	Release of deferred tax adjustment to intangibles £000	Accelerated capital allowances £000	Other temporary differences £000	Total £000
At 1 January 2016	166	(7)	(72)	87
(Credited) / charged to Statement of Income	(91)	1	17	(73)
<b>At 31 December 2016</b>	<b>75</b>	<b>(6)</b>	<b>(55)</b>	<b>14</b>
<b>Net deferred tax liability</b>				
At 1 January 2016				87
At 31 December 2016				14

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 17% (2015: 18%) as this is the enacted rate that is expected to apply when the temporary differences reverse.

### 13. Defined contribution scheme

The Company operates a Group Personal Pension Plan, the assets of which are held separately from those of the Company, as independently administered funds. The amount charged to the Income Statement in respect of the Group Personal Pension Plan is the contribution payable in the year by the Company and amounted to £91,733 (2015: £76,859). The Company had contributions of £15,283 outstanding at the end of the financial year (2015: £13,400).

### 14. Share capital

	31 December 2016 £000	31 December 2015 £000
<b>Allotted, called up and fully paid</b>		
200 £1 Ordinary shares	-	-

### Management of capital

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

	Year ended 2016 £000	Year ended 2015 £000
<b>Capital</b>		
Ordinary shares	-	-
Retained earnings	2,527	2,662
	<b>2,527</b>	<b>2,662</b>

The Company's objectives when managing capital are:

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

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

### 14. Share capital (continued)

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.

### 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.

2016	Ultimate parent undertaking £000	Parent undertaking £000	Other group Companies £000	Subsidiary undertakings £000
<b>a) Net interest</b>				
Interest receivable	-	2	-	-
Interest payable	-	-	-	-
<b>Total</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>
Commissions receivable	44	-	125	-
<b>Total</b>	<b>44</b>	<b>-</b>	<b>125</b>	<b>-</b>
<b>c) Purchase of goods and services</b>	-	(141)	(1,103)	(1,645)
<b>Total</b>	<b>-</b>	<b>(141)</b>	<b>(1,103)</b>	<b>(1,645)</b>
<b>d) Outstanding balances</b>				
Receivables from related parties	-	-	31	16
Payables to related parties	-	(26)	(40)	(127)
<b>Total</b>	<b>-</b>	<b>(26)</b>	<b>(9)</b>	<b>(111)</b>
<b>2015</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>				
Commission receivable	42	-	174	-
<b>Total</b>	<b>42</b>	<b>-</b>	<b>174</b>	<b>-</b>
<b>c) Purchase of goods and services</b>	-	(42)	(1,359)	(1,344)
<b>Total</b>	<b>-</b>	<b>(42)</b>	<b>(1,359)</b>	<b>(1,344)</b>
<b>d) Outstanding balances</b>				
Receivables from related parties	-	-	19	142
Payables to related parties	-	(9)	(85)	(82)
<b>Total</b>	<b>-</b>	<b>(9)</b>	<b>(66)</b>	<b>60</b>

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

### 15. 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 Limited. The Company has purchased goods and services of £116,714 (2015: £209,173) from Arun Estate Agencies Limited during the year. The Company has payables due to Arun Estate Agencies Limited of £8,640 as at 31 December 2016 (2015: £3,817).

A C Chambers is a director of Kinleigh, Folkard & Hayward Limited. The Company has purchased goods and services of £Nil (2015: £8,525) from Kinleigh, Folkard & Hayward Limited during the year. The Company has payables due to Kinleigh, Folkard & Hayward Limited of £Nil as at 31 December 2016 (2015: £Nil).

Connells Limited, the Company's immediate parent company, has a minority shareholding in Vibrant Energy Matters Limited. The Company has purchased goods and services of £57,351 (2015: £58,837) from Vibrant Energy Matters Limited. The Company has payables due to Vibrant Energy Matters Limited of £1,527 as at 31 December 2016 (2015: £2,916).

There are no provisions in respect of goods and services to Related Parties, either at 31 December 2016 or at 31 December 2015. All transactions are dealt with on normal credit terms.

### 16. Capital and operating lease commitments

The Company had no capital commitments at the year end (2015: nil).

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

	31 December 2016 £000	31 December 2015 £000
<i>Amounts falling due:</i>		
Less than one year	109	104
Between one and five years	199	275
	<u>308</u>	<u>379</u>

### 17. 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	978	978	780	-	-	198
Amounts owing to group companies	193	193	193	-	-	-
<b>Total</b>	<u>1,171</u>	<u>1,171</u>	<u>973</u>	<u>-</u>	<u>-</u>	<u>198</u>

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

### 17. Financial instruments *(continued)*

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 10. 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.

### 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:

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