THE ASSET MANAGEMENT GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2019

(Registered Number 03292378)

Contents

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019.

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 (resigned 31.10.20)
S Matthews
CA Coxon

S Matthews was appointed as Company Secretary on 31.10.20.

DIVIDENDS

During the year an interim dividend of £1,250,000 was paid (2018: £1,250,000). The Directors do not propose the payment of a final dividend (2018: £nil).

DONATIONS

The Company made charitable donations of £800 in 2018 (2018: £1,064). There were no political donations (2018: £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.

EMPLOYEE DEVELOPMENT AND EQUAL OPPORTUNITIES

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

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

DISCLOSURE OF INFORMATION TO 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.

GOING CONCERN

The Directors have assessed the viability of the Company with respect to the Company's current resources and prospects, its risk appetite and the Company's principal risks and uncertainties. As a result, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors have reacted quickly to the Covid-19 pandemic. The Government announcement on 23 March 2020, locking down large parts of the UK, effectively stopped the housing market. Our priority during this time has been the health, safety and well-being of our people and customers. The Company has worked hard during the shutdown to ensure that sales that could complete went ahead, and those left on hold are held together. Management has taken some difficult decisions during this time, including placing on furlough 70% of its people, although the Company is proud to have continued to pay 100% of basic pay and any commissions due during April and May, reducing to 80% thereafter in line with the CJRS grant.

On 12 May 2020 it was announced that lockdown would be eased in England, and estate agent branches re-opened on 25 May. We have since unfurloughed a large number of people and worked hard to ensure they have all received the required training and personal protective equipment required.

Directors' Report (continued)

GOING CONCERN (continued)

The pandemic has had a short-term impact on repossessions in the UK in that all new evictions were initially suspended until late June and this has now been extended until the end of October. During this period and at the time of writing, voluntary and abandoned possessions are still taking place. On the basis the suspension will be lifted at the end of October, we do not believe the pandemic will cause any material changes to the repossession process. We do not expect it to have any impact on the future of the UK housing market, barring any normal peaks and troughs.

Whilst the suspension of new evictions is due to finish at the end of October, it will take a few months for the courts system to become fully operational. However, there will be a number of mortgage customers that were in the system and in serious arrears, prior to the pandemic. We should see an increase in normal monthly BAU volumes as a result. We will enter 2021 with a much lower stock of properties than at the start of 2020 and this will impact profitability in the first quarter. However, we expect volumes to recover throughout the year once the stock of properties builds and begins to sell at normal levels.

AMG is well placed in the market with over 40% share of all UK repossessions with a varied client basis of mortgage lenders, from major high street banks, building societies and specialised lenders. We have unrivalled industry experience in dealing with large increases in volumes. Over 45% of our staff have been with us for more than 10 years, providing a core and structure to the business that enables us to expand to meet increasing volumes, whilst maintaining our high levels of service delivery.

As a result of the last recession in 2008, the AMG group made record profits.

The Directors have performed extensive forecasting to ensure the future viability of the Company and have taken actions where necessary to ensure the Company remains in a strong position, and able to recover strongly once the UK returns to a more normal environment. Refer to note 1a) for more details. The forecasting concludes that the company will retain sufficient assets and liquidity to enable it to continue trading and the Directors, therefore, continue to prepare the Accounts on a Going Concern basis.

AUDITOR

The Company appointed a new external auditor during the year, in line with its ultimate parent, Skipton Building Society. KPMG LLP therefore resigned as the Company's external auditor, and Ernst & Young LLP was formally appointed on 10 May 2019.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the board

S Matthews
Director

01 December 2020

13 – 21 High Street
Guildford
Surrey GU1 3DG

Strategic Report

BUSINESS REVIEW

Objectives and strategy of the Company

The Company's objectives continue to be to maximise the long-term value and revenue streams for its shareholders, to create secure and rewarding employment for its staff and to deliver a high quality and flexible service required to meet the various demands of its corporate clients.

The Company aims to deliver sustainable and growing revenues from efficient operations supported by a lean management cost structure, which enables the Company to adapt to market opportunities. This awareness of customer service and profit management has been at the core of the Company's success and is a key component to its future strategy.

2019 Review

The results for the year are shown in the Income Statement and notes.

There was an increase in the number of repossessions in 2019 compared to the previous year. This was not driven by market or economic factors but as a result of a back log of cases that were suspended due to an historic legal issue with some lenders. AMG's total number of new cases was up on the previous years as a result of the aforementioned issue and our continued superior performance against our competitors, resulting in a higher allocation of new cases. Despite the political uncertainty during the year our sales performance was strong with slightly more sales of properties compared to the previous year, resulting in increased fees and profit.

2020 will be significantly impacted by the Covid-19 pandemic, which resulted in the Company having to cease all physical inspections involving customer contact for a seven week period from the 23rd March, together with the suspension of new evictions until the end of October. Clearly this will have a detrimental effect on earnings, but as noted in the Directors report and note 1, following extensive forecasting and stress testing, the Directors believe the business continues to be a going concern. Management has made many decisions to ensure the future viability of the business, including making use of the government furlough scheme and tax deferrals.

Prior to this the business was performing well, and management has acted swiftly to allow its employees to return to work in a safe and secure way, with a view to returning to this positive performance as soon as possible.

Operational performance and key performance indicators

The Directors monitor the business at regular board meetings throughout the year. The table below shows the most significant financial KPI's that are monitored for the business.

Operational review

	2019 £000	2018 £000	Change %
Total fees and commissions	11,767	11,166	5%
EBITDA post IFRS 16*	1,312	1,101	19%
EBITDA pre IFRS 16	1,207	991	22%
Profit from operations	1,190	978	22%
Profit before tax**	1,794	1,983	-10%
Movement in instructions	+14%	-9%	
Movement in exchanges	+5%	-2%	

* 2019 includes the impact of IFRS 16 depreciation and interest (£105k). 2018 has been restated to add back the rentals payable under operating leases (£109k) to aid comparability.

**Profit before tax includes dividends received from wholly owned subsidiaries of £600,000 (2018: £1,000,000).

Risks and uncertainties

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

Strategic Report *(continued)*

Risks and uncertainties (continued)

This has three elements:

- The Company's risk appetite is documented in detailed policy risk statements, which are reviewed and approved annually by the Board.
- The primary responsibility for managing risk and ensuring appropriate controls are in place lies with the Company's management. The Company and its ultimate parent undertaking, Skipton Building Society, through their risk and compliance functions provide monitoring and oversight on behalf of the Company's Board.
- The Company's Audit and Risk Committee oversees the effectiveness of the risk management framework and the control environment, with third line assurance being provided through Skipton Group's Internal Audit function.

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

Covid-19 pandemic

The majority of businesses in the UK have been impacted since March 2020 by the Covid-19 pandemic, which has resulted in the closure of most premises and therefore activity levels have declined significantly. The Company was able to remain open and work volumes never actually ceased entirely however, did fall to a low level. There remains significant uncertainty over how long restrictive measures will remain in place, how this will impact customer sentiment and the wider economic impact.

The Company has invested in personal protective equipment (PPE), devised comprehensive working practices and rolled out training to allow for a safe and secure environment for its people and customers. The Directors have also taken a number of actions and contingency planning to ensure the future profitability and viability of the business, which is discussed further in the going concern section, and continue to meet regularly to navigate the best course through this situation. Management has been pleased with the response from its people and IT systems, and the Company has remained fully operational despite a significant increase in remote working.

IT Infrastructure and information security

The Company depends on efficient systems for its day to day operations and maintenance of its financial records. A significant interruption to its IT services, or breach of data security, would have an adverse impact on the ability to trade.

The Company continues to invest in its IT and data security systems to ensure that its systems adequately support its expanding operations and address the changing needs of the business. Regular penetration and business recovery testing is carried out.

Loss of a major client

The Company holds a number of important client relationships, the loss of which would adversely affect income and performance.

The Company carries out regular review meetings with clients at all levels of management; any issues should therefore be identified and escalated at an early stage.

Financial misstatement and fraud

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

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

Customers

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

Capital

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

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

People

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 attract, motivate and retain key employees.

Strategic Report *(continued)*

Events after the reporting period

As noted above, the Covid-19 pandemic and subsequent UK Government lock down of large parts of the UK on 23 March 2020, effectively stopped the housing market for two months. This had a significant impact on trading during this period, and has added some challenges to post lockdown ways of workings, including ensuring relevant PPE is in place and the Company adheres to social distancing guidelines for the benefit of its colleagues and customers. Since lockdown ended, there have been encouraging signs in the housing market.
The Directors consider the Covid-19 pandemic to be a non-adjusting event, but it will have a material impact on the company's turnover and results for the year ending 31 December 2020.

By order of the board

S Matthews
Director

01 December 2020

13 – 21 High Street
Guildford
Surrey GU1 3DG

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of The Asset Management Group Ltd for the year ended 31 December 2019 which comprise the income statement, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 1a and note 21 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting supply chains, consumer demand and personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter,

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ASSET MANAGEMENT GROUP LIMITED *(continued)*

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Joanne Mason (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Audit
Luton
Date 2 December 2020

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 2019 £000	Year ended 2018 £000
Revenue	1	11,767	11,166
Cost of sales		(7,625)	(7,287)
Gross profit		**4,142**	**3,879**
Employee benefit expenses	6	(2,445)	(2,294)
Other operating expenses	2	(507)	(607)
Operating profit		**1,190**	**978**
Presented as: Earnings before interest, tax, depreciation, amortisation (EBITDA)		**1,312**	**991**
Depreciation of tangible assets	9	(19)	(13)
Depreciation of right-of-use assets	10	(103)	-
Operating profit		1,190	978
Finance income	4	6	5
Finance costs	5	(2)	-
Dividend income		600	1,000
Profit before tax		**1,794**	**1,983**
Income tax expense	7	(235)	(194)
Profit for the year being total comprehensive income		**1,559**	**1,789**

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

The notes on pages 15 to 30 form part of these financial statements.

Statement of Financial Position

AT 31 DECEMBER 2019

	Notes	£000	31 December 2019 £000	£000	31 December 2018 £000
Non-current assets					
Fixed assets investments	11	-		-	
Intangible assets	8	557		557	
Property, plant and equipment	9	45		29	
Right of use assets	10	43		-	
Deferred tax assets	15	52		48	
Total non-current assets			697		634
Current assets					
Trade and other receivables	12	2,322		2,163	
Cash and cash equivalents		1,248		838	
Total current assets			3,570		3,001
Total assets			**4,267**		**3,635**
Current liabilities					
Trade and other payables	13	1,432		1,194	
Tax liabilities		128		108	
Lease liabilities	14	30		-	
Total current liabilities			1,590		1,302
Non-current liabilities					
Trade and other payables	13	224		202	
Deferred tax liability	15	-		-	
Lease liabilities	14	13		-	
Total non-current liabilities			237		202
Total liabilities			1,827		1,504
Equity – attributable to the owners of the Company					
Share capital	17	-		-	
Retained earnings	17	2,440		2,131	
Total equity			2,440		2,131
Total equity and liabilities			**4,267**		**3,635**

These accounts were approved by the board of directors on 01 December 2020 and signed on its behalf by:

S Matthews
Director

Company registration number: 03292378

The notes on pages 15 to 30 form part of these accounts.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	-	2,131	2,131
Total income for the year	-	1,559	1,559
Dividend paid	-	(1,250)	(1,250)
Balance at 31 December 2019	**-**	**2,440**	**2,440**
Balance at 1 January 2018	-	1,592	1,592
Total income for the year	-	1,789	1,789
Dividend paid	-	(1,250)	(1,250)
Balance at 31 December 2018	**-**	**2,131**	**2,131**

The notes on pages 15 to 30 form part of these accounts.

During the year the Company declared an interim dividend of £1,250,000 (2018: £1,250,000). The dividend per share totalled £6,250.00 (2018: £6,250.00).

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 2019 £000	Year ended 2018 £000
Cash flows from operating activities			
Profit for the year		1,559	1,789
Adjustments for:			
Depreciation of property, plant and equipment	9	19	14
Depreciation of right-of-use assets	10	103	-
Finance income	4	(6)	(5)
Finance cost	5	2	-
Dividend income		(600)	(1,000)
Tax expense	7	235	194
Operating profit before changes in working capital and provisions		1,312	992
Decrease in inventories		-	935
(Increase) in trade and other receivables		(159)	(1,093)
Increase / (decrease) in trade and other payables		260	(44)
Cash generated from operations		1,413	790
Taxes paid		(219)	(204)
Net cash inflow from operating activities		**1,194**	**586**
Cash flows from investing activities			
Interest received		6	5
Dividends received		600	1,000
Purchase of property, plant and equipment	9	(35)	(16)
Net cash inflow from investing activities		**571**	**989**
Cash flows from financing activities			
Payment of principal portion of lease liabilities	1	(105)	-
Dividends paid		(1,250)	(1,250)
Net cash outflow from financing activities		**(1,355)**	**(1,250)**
Net increase in cash and cash equivalents		410	325
Cash and cash equivalents at 1 January		838	513
Cash and cash equivalents at 31 December		**1,248**	**838**

The notes on pages 15 to 30 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's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and effective as at 31 December 2019, and those parts of the Companies Act 2006 applicable to Companies reporting under IFRS.

During the year the Group adopted the new IFRS 16 *Leases* accounting standard, further details of which are provided in note 1b).

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

- IFRIC 23 *Uncertainty over income tax treatments*
- Plan amendment, curtailment or settlement (amendments to IAS 19)

There are no new standards at 31 December 2019 that have been endorsed by the EU but not yet effective..

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

Measurement convention

These financial statements are prepared on the historical cost basis.

Currency presentation

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 5 to 7. The financial position of the Company, its cash flows, and liquidity position are shown on pages 11 to 14. In addition, the Directors' Report and notes to these financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors have assessed the viability of the Company with respect to the Company's current resources and prospects, its risk appetite and the Company's principal risks and uncertainties. In particular the Directors have considered the impact of the Covid-19 pandemic. The unprecedented nature of the pandemic means that assessing the impact, including on the UK housing market and economy as a whole, is very difficult and there will inevitably be a higher degree of uncertainty attached to the forecasts than usual. However the Company does have experience of operating through a recession before.

The Directors have reacted quickly to the Covid-19 pandemic. The Government announcement on 23 March 2020, locking down large parts of the UK, effectively stopped the housing market. Our priority during this time has been the health, safety and well-being of our people and customers. The Company has worked hard during the shutdown to ensure that sales that could complete went ahead, and those left on hold are held together. Management has taken some difficult decisions during this time, including placing on furlough 70% of its people, although the Company is proud to have continued to pay 100% of basic pay and any commissions due during April and May, reducing to 80% thereafter in line with the CJRS grant.

On 12 May 2020 it was announced that lockdown would be eased in England, and estate agent branches re-opened on 25 May. We have since unfurloughed a large number of people and worked hard to ensure they have all received the required training and personal protective equipment required.

The pandemic has had a short-term impact on repossessions in the UK in that all new evictions were initially suspended until late June and this has now been extended until the end of October. During this period and at the time of writing, voluntary and abandoned possessions are still taking place. On the basis the suspension will be lifted at the end of October, we do not believe the pandemic will cause any material changes to the repossession process. We do not expect it to have any impact on the future of the UK housing market, barring any normal peaks and troughs.

Whilst the suspension of new evictions is due to finish at the end of October, it will take a few months for the courts system to become fully operational. However, there will be a number of mortgage customers that were in the system and in serious arrears, prior to the pandemic. We should see an increase in normal monthly BAU volumes as a result. We will enter 2021 with a much lower stock of properties than at the start of 2020 and this will impact profitability in the first quarter. However, we expect volumes to recover throughout the year once the stock of properties builds and begins to sell at normal levels.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

b) Basis of accounting (continued)

AMG is well placed in the market with over 40% share of all UK repossessions with a varied client basis of mortgage lenders, from major high street banks, building societies and specialised lenders. We have unrivalled industry experience in dealing with large increases in volumes. Over 45% of our staff have been with us for more than 10 years, providing a core and structure to the business that enables us to expand to meet increasing volumes, whilst maintaining our high levels of service delivery.

As a result of the last recession in 2008, the AMG group made record profits.

The Directors have performed extensive forecasting to ensure the future viability of the Company and have taken actions where necessary to ensure the Company remains in a strong position, and able to recover strongly once the UK returns to a more normal environment. The forecasting concludes that the company will retain sufficient assets and liquidity to enable it to continue trading and the Directors, therefore, continue to prepare the Accounts on a Going Concern basis.

b) Changes to significant accounting policies

The Company has adopted IFRS 16 *Leases* with effect from 1 January 2019. The effects of initially adopting this standard is outlined below.

IFRS 16

IFRS 16 Leases replaces the previous standard IAS 17, and determines how all leases are accounted for. This has had a material impact on the Company's 2019 accounts, this note sets out the impact of the adoption of the standard. The accounting policy is disclosed in note 1j). The Company has adopted IFRS 16 using the modified retrospective approach, so that the right-of-use asset is equal to the lease liability on 1 January 2019, adjusted for any rent prepayments or accrued lease payments. The 2018 comparatives have not been restated, as per the specific transitional provisions within the standard. The reclassifications and adjustments arising from the new standard are therefore recognised in the opening balance sheet as at 1 January 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases that had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at 1 January 2019. The below table reconciles the operating lease commitments disclosed under IAS 17, to the lease liability recognised under IFRS 16.

	2019 £000
Operating lease commitments disclosed under IAS 17 at 31 December 2018	130
Discounted using the Company's incremental borrowing rate at 1 January 2019	(6)
Lease liability recognised at 1 January 2019	**124**
Of which:	
Current lease liabilities	104
Non-current lease liabilities	20
	124

The associated right-of-use assets for all leases were measured at an amount equal to the lease liability, adjusted by any prepaid (or accrued) lease payments. The recognised right-of use assets at 1 January 2019 relate to the following types of assets:

	2019 £000
Properties	94
Cars	30
Total right-of-use assets recognised at 1 January 2019	**124**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019.

	As previously reported 31 Dec 2018 £000	Impact of IFRS 16 £000	1 January 2019 £000
Non-current assets			
Right-of-use assets	-	124	124
Total impact on assets	-	**124**	**124**
Non-current liabilities			
Lease liabilities	-	20	20
Current liabilities		104	104
Lease liabilities	-		
Total impact on equity and liabilities	-	**124**	**124**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

b) Changes to significant accounting policies (continued)

The impact on the income statement for the year ended 31 December 2019 was as follows:

	2019 £000
Operating expenses	105
Earnings before interest, tax, depreciation, amortisation, impairment and contingent consideration	**105**
Depreciation	(103)
Operating profit	**2**
Interest	(2)
Profit before tax	**-**

The impact on the consolidated cash flow statement for the year ended 31 December 2019 was as follows:

	2019 £000
Profit for the year	-
Depreciation and impairment of right-of-use assets	103
Interest paid	2
Net cash flows from operating activities	**105**
Payment of principal portion of lease liabilities	(105)
Net cash flows from financing activities	**(105)**
Net total impact on cash flow statement	-

The Company used the following practical expedients available when applying IFRS 16 for the first time:

- The application of a single discount rate to a portfolio of leases with similar characteristics, for example based on term length and type of lease.
- Reliance on previous assessments of whether a contract is, or contains a lease.
- Exemptions available for low-value and short-term leases.
- Reliance on previous assessments of whether leases are onerous

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.

d) Impairment

In accordance with IAS 36, Impairment of Assets, goodwill and intangible assets with an indefinite life are not amortised but is tested for impairment at each year end or when there is an indication of impairment. The recoverable amount of goodwill is determined as the higher of its fair value less costs to sell and its value in use.

The Company applies discount rates based on its estimated current cost of capital of the subsidiary. Impairment of a subsidiary'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. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Any impairment loss in respect of goodwill is not reversed. On the sale of a subsidiary, the profit or loss on sale is calculated after charging or crediting the net book value of any related goodwill. Negative goodwill arising on an acquisition is recognised directly in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

e) 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.

f) Revenue recognition

Revenue, which excludes value added tax, represents total commissions receivable by the Company and additional maintenance services provided. Asset management commissions are accounted for on exchange of property contracts. Additional maintenance services are accounted for as they are performed. Panel fee income is deferred over the membership period.

g) 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

h) Trade and other receivables

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

Asset management income is accounted for on exchange of contracts as with estate agency sales commissions. Under IFRS 15 additional services provided are recognised upon completion of the work and shown as contract assets until exchange of contracts takes place.

i) Trade and other payables

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

i) Leases

The Company's lease commitments relate mainly to properties and motor vehicles. Leases are typically negotiated on an individual basis and thus contain a wide range of terms and conditions, including options to extend or terminate. The lease liability is considered to be an indicator of the future cash outflows, there are no significant restrictions or covenants, residual value guarantees or sale and leaseback transactions. Previously, payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

From 1 January 2019, the Company assesses at contract inception whether a contract is, or contains, a lease. The Company initially recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets is equal to the aggregate lease liabilities recognised on day 1, adjusted for any initial direct costs incurred, any lease incentives received and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight line basis over the lease term. Right of use assets are tested for impairment at each year end.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted at the incremental borrowing rate. The lease payments include fixed payments less any lease incentives received and amounts expected to be paid under residual value guarantees. In calculating the present value of the lease payments, the Company uses its incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. Following recognition, the liability is reduced for the lease payments made and increased by the interest accrued. Moreover, the carrying amount of the lease liability is re-measured in the event of a modification, such as a change in the lease term or change in the lease payments. The interest cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining liability for each period.

The Company applies the short-term lease exemption to those leases that have a lease term of 12 months or less from the commencement date and also applies the exemption for leases of low value assets to office equipment. Lease payments relating to these exemptions are recognised in operating expenses on a straight line basis over the lease term. These exemptions are not applied to property leases and any short term property leases are accounted for as above.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

k) Investments

Investments in subsidiaries are carried at cost less any impairment. The cost of investment arising on the acquisition of subsidiary undertakings or businesses comprises the consideration paid. The Company regularly reviews its subsidiary investments for objective evidence of impairment.

l) Taxation

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

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

l) Taxation (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

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

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

m) 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.

n) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash comprises cash in hand and loans and balances with banks and similar institutions. Cash and cash equivalents comprise highly liquid investments which are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. The Statement of Cash Flows has been prepared using the indirect method.

The Company recognises an allowance for expected credit losses (ECLs). The Company takes a simplified approach and recognises a loss allowance based on lifetime ECLs at each reporting date. The Company uses a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment. This is applied to third party and intercompany receivables and cash balances.

o) Net financing costs

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

p) 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

p) Critical accounting estimates, and judgements in applying accounting policies (continued)

IFRS 16

The changes to critical estimates and assumptions used by the Company as a result of adopting IFRS 16, that have an effect on the reported amounts of assets and liabilities, are outlined below.

Lease term

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease where this is reasonably certain to be exercised, or any periods covered by an option to terminate the lease where this is reasonably certain not to be exercised.

Many of the Company's leases, particular property leases, contain options for the Company to extend and / or terminate the lease term. The Company applies judgement in evaluating whether it is reasonably certain to exercise these options, taking account of all relevant factors that create an economic incentive for it to do so. After the lease commencement date, the Company reassesses the lease term if there has been a significant event or change in circumstances that is within its control and which affects its ability to exercise (or not to exercise) the option to renew and / or to terminate (e.g. a change in business strategy).

2. Expenses and auditor's remuneration

	Year ended 2019 £000	Year ended 2018 £000
Profit after tax is stated after charging the following:		
Depreciation of property, plant and equipment	19	14
Staff costs (see note 5)	2,445	2,294
Auditor's remuneration and expenses:		
Audit of these financial statements	8	25

3. Revenue

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

	Products and services transferred at a point in time 2019 £000	Products and services transferred over time 2019 £000	Total 2019 £000
Asset management commissions	11,576	-	11,576
Other fees and commissions	-	191	191
	11,576	191	11,767

	Products and services transferred at a point in time 2018 £000	Products and services transferred over time 2018 £000	Total 2018 £000
Asset management commissions	10,985	-	10,985
Other fees and commissions	-	181	181
	10,985	181	11,166

4. Finance income

	Year ended 2019 £000	Year ended 2018 £000
Bank interest	6	5

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Finance costs	**Year ended 2019 £000**	**Year ended 2018 £000**
Interest on lease liabilities	2	-

6. Staff numbers and costs

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

	Year ended 2019 No.	**Year ended 2018 No.**
Directors	6	6
Administration	66	67
	72	73

The aggregate payroll costs of these persons were as follows:	**Year ended 2019 £000**	**Year ended 2018 £000**
Wages and salaries	2,185	2,038
Social security costs	199	193
Other pension costs	61	63
	2,445	2,294

Directors' emoluments	**£000**	**£000**
Directors' emoluments	326	330
Company contributions to defined contribution pension plans	7	7
	333	337

At 31 December, the Directors have accrued £36,997 (2018: £31,007) under long term incentive schemes. The aggregate emoluments of the highest paid director was £225,755 (2018: £228,371), and contributions of £7,550 (2018: £7,378) were made to defined contribution pension schemes.

Three (2018: three) of the directors are not directly remunerated by the Company. The notional allocation of cost to the Company for their services was £87,151 (2018: £75,669).

There are not considered to be further key management personnel other than the Directors of the Company noted above.

7. Tax expense	**Year ended 2019 £000**	**Year ended 2018 £000**
a) Analysis of expense in the year at 19% (2018: 19%)		
Current tax expense		
Current tax at 19% (2018: 19%)	242	191
Adjustment for prior years	(3)	(4)
Total current tax expense	239	187
Deferred tax credit		
Origination and reversal of temporary differences	(6)	3
Adjustment in respect of prior periods	2	4
Total deferred tax credit	(4)	7
Tax expense	235	194

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. Tax expense (continued)

b) Factors affecting tax expense in the year

The tax assessed in the Income Statement is lower (2018: lower) than the standard UK corporation tax rate because of the following factors:

Profit before tax	1,794	1,983
Tax on profit at UK standard rate of 19% (2018: 19%)	341	377
Effects of:		
Income not taxable for tax purposes	(114)	(190)
Adjustment in respect of prior periods	-	(1)
Expenses not deductible for tax purposes	7	8
Tax rate changes	1	-
Tax expense	**235**	**194**

8. Intangible assets

	Goodwill £000	Customer contracts & relationships £000	Total £000
Cost			
At 1 January 2019 and 31 December 2019	**557**	**1,444**	**2,001**
Amortisation and impairment losses			
At 1 January 2019	-	1,444	1,444
Amortisation for the year	-	-	-
At 31 December 2019	**-**	**1,444**	**1,444**
Carrying amounts			
At 1 January 2019	557	-	557
At 31 December 2019	**557**	**-**	**557**

	Goodwill £000	Customer contracts & relationships £000	Total £000
Cost			
At 1 January 2018 and 31 December 2018	**557**	**1,444**	**2,001**
Amortisation and impairment losses			
At 1 January 2018	-	1,444	1,444
Amortisation for the year	-	-	-
At 31 December 2018	**-**	**1,444**	**1,444**
Carrying amounts			
At 1 January 2018	557	-	557
At 31 December 2018	**557**	**-**	**557**

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

Goodwill and brands acquired in a business combination is allocated, at acquisition, to the individual cash generating units (CGUs) that are expected to benefit from that business combination. The only CGU is the Asset Management Business.

There was no impairment charge during the year. The recoverable amounts of goodwill and brands are determined from value-in-use calculations for the CGU listed above.

Key assumptions

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Intangible assets (continued)

Key assumptions (continued)

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

The growth rate reflects how management believe the business will perform over the long term, and extrapolate cash flows for subsequent years (up to an additional 10 years) based on a long-term growth rate of 2.5% (2018: 2.5%).

Discount rates reflect management's estimate of the post-tax Weighted Average Cost of Capital (WACC) of the Company and this is the benchmark used by management to assess operating performance and to evaluate future acquisition proposals. The pre-tax discount rate was 10.00% (2018: 10.60%).

Sensitivities

Management has undertaken sensitivity analyses to determine the effect of changes in assumptions on the 2019 impairment review. The key assumptions driving the carrying values are the discount rate applied to the cash flow forecasts and the growth rates within the cash flow forecast. It would require a significant decline in performance to trigger an impairment. To test the sensitivity the discount rate was increased by 10%, CGUs carrying value would still exceed the asset value. The sensitivity to the long term growth rate was also decreased by 10%, the CGUs carrying value would still exceed the asset value. For the 5 year cash flows growth the rate was decreased by 10%, the carrying value would still exceed the asset value.

9. Property, plant and equipment

	Office equipment £000	Total £000
Cost		
At 1 January 2019	241	241
Additions	35	35
Disposals	(5)	(5)
At 31 December 2019	271	271
Accumulated depreciation and impairment		
At 1 January 2019	212	212
Depreciation charge for the year	19	19
Disposals	(5)	(5)
At 31 December 2019	226	226
Carrying amounts		
At 1 January 2019	29	29
At 31 December 2019	45	45

	Office equipment £000	Total £000
Cost		
At 1 January 2018	225	225
Additions	16	16
At 31 December 2018	241	241
Accumulated depreciation and impairment		
At 1 January 2018	198	198
Depreciation charge for the year	14	14
At 31 December 2018	212	212
Carrying amounts		
At 1 January 2018	27	27
At 31 December 2018	29	29

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Right-of-use assets

On 1 January 2019 the Company adopted IFRS 16 *Leases* and has reclassified the cost of leases into Right-of-use assets as follows:

	Land and buildings £000	**Motor vehicles £000**	**Total £000**
Cost			
At 31 December 2018	-	-	-
Change in accounting policy	94	30	124
At 1 January 2019	94	30	124
Additions	-	22	22
Disposals	-	(6)	(6)
At 31 December 2019	**94**	**46**	**140**
Accumulated depreciation and impairment			
At 1 January 2019	-	-	-
Depreciation charge for the year	84	19	103
Disposals	-	(6)	(6)
At 31 December 2019	**84**	**13**	**97**
Carrying amounts			
At 1 January 2019	94	30	124
At 31 December 2019	**10**	**33**	**43**

11. Fixed asset investments

	Shares in Group Undertakings £
Cost	
At 31 December 2019 and 2018	3

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, including maintenance of properties in preparation for sale.

The registered office of both these companies is 13-21 High Street, Guildford, Surrey, GU1 3DG.

12. Trade and other receivables

	31 December 2019 £000	**31 December 2018 £000**
Trade receivables	933	994
Amounts due from group companies	77	133
Contract assets	1,281	990
Prepayments and accrued income	31	47
	2,322	**2,164**

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

	31 December 2019 £000 Gross	**31 December 2019 £000 Impairment**	**31 December 2018 £000 Gross**	**31 December 2018 £000 Impairment**
Not past due	659	-	444	-
Past due 0 – 30 days	68	-	321	-
Past due 31 – 120 days	137	-	63	-
Past due 120 days plus	69	-	166	-
	933	**-**	**994**	**-**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Trade and other receivables (continued)

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

13. Trade and other payables	**31 December 2019 £000**	**31 December 2018 £000**
Due within one year		
Trade payables	222	250
Amounts owed to group undertakings	149	180
Other taxes and social security costs	322	249
Accruals and deferred income	739	515
	1,432	1,194
Due after more than one year		
Accruals and deferred income	237	202

14. Lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Group

	Group £000
Cost	
At 31 December 2018	-
Change in accounting policy	124
At 1 January 2019	124
Additions	22
Interest charged	2
Lease payments	(105)
At 31 December 2019	43

The present value of lease liabilities by repayment date is as follows.

	Group £000
Lease liabilities are repayable:	
In not more than 3 months	17
In more than 3 months but less than 1 year	13
In more than 1 year but less than 5 years	13
In more than 5 years	-
	43

The discount rates for the leases disclosed above ranged from 1.0% to 3.5%. The Group has several lease contracts that include termination options, usually through a break clause. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and adapt to the Group's business needs. Management exercises judgement in determining whether these termination options are reasonably certain to be exercised.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. Deferred tax

Deferred taxes are calculated on temporary differences under the liability method using an effective tax rate of 17% (2018: 17%) as this is the enacted rate that is expected to apply when the temporary differences reverse.

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

	Year ended 2019 £000	Year ended 2018 £000
At 1 January	48	55
Adjustment in respect of prior years	(2)	(4)
Deferred tax credit / (charge) to the income statement	6	(3)
At 31 December	52	48

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

Deferred tax assets / (liabilities)	**Asset/ (liability) £000**	**(Charged)/ credited to income £000**
2019		
Property, plant and equipment	2	(1)
Pipeline	-	-
Provisions	50	5
Accrued pension	-	-
	52	4
2018		
Property, plant and equipment	3	(3)
Pipeline	-	-
Provisions	45	(2)
Accrued pension	-	(2)
	48	(7)

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.

Where deferred tax balances are expected to reverse after 31 March 2020 they have been calculated at the currently enacted corporation tax rate of 17% which applies from 1 April 2020.

The prime minister indicated before the December 2019 general election that the enacted reduction from 19% to 17% would not take place if his government was re-elected and this was confirmed in the March 2020 budget. As this measure will be made under a budget resolution which has statutory effect it is regarded as being substantively enacted for IFRS.

If this change had been enacted prior to 31 December 2019, an additional deferred tax credit of £6k would have been recognised and the closing deferred tax asset for the company would be £58k.

16. Defined contribution pension 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 £61,058 (2018: £62,742). The Company had contributions of £nil outstanding at the end of the financial year (2018: £nil).

17. Share capital

Authorised, allotted, called up and fully paid	**31 December 2019 £000**	**31 December 2018 £000**
200 £1 Ordinary shares	-	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17. Share capital (continued)

Management of capital

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

Capital	Year ended 2019 £000	Year ended 2018 £000
Ordinary shares	-	-
Retained earnings	2,440	2,131
	2,440	2,131

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.

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.

18. 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.

2019	Ultimate parent undertaking £000	Parent undertaking £000	Other group Companies £000	Subsidiary undertakings £000
a) Sales of goods and services				
Commissions receivable	-	-	200	-
Total	-	-	200	-
b) Purchase of goods and services	-	(99)	(947)	(2,093)
Total	-	(99)	(947)	(2,093)
c) Outstanding balances				
Receivables from related parties	-	-	52	25
Payables to related parties	-	(11)	(42)	(96)
Total	-	(11)	10	(71)

2018	Ultimate parent undertaking £000	Parent undertaking £000	Other group Companies £000	Subsidiary undertakings £000
a) Sales of goods and services				
Commissions receivable	-	-	158	-
Total	-	-	158	-
b) Purchase of goods and services	-	(132)	(979)	(1,861)
Total	-	(132)	(979)	(1,861)
c) Outstanding balances				
Receivables from related parties	-	5	31	97
Payables to related parties	-	(7)	(59)	(114)
Total	-	(2)	(28)	(17)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18. Related party transactions (continued)

P A Rooney, a director of the Company, 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 £99,615 (2018: £65,378) from Arun Estate Agencies Limited during the year. The Company has payables due to Arun Estate Agencies Limited of £12,000 as at 31 December 2019 (2018: £1,980).

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 £50,016 (2018: £56,396) from Vibrant Energy Matters Limited. The Company has payables due to Vibrant Energy Matters Limited of £1,880 as at 31 December 2019 (2018: £1,561).

There are no provisions in respect of receivables balances due from Related Parties, either at 31 December 2019 or at 31 December 2018. All transactions are dealt with at arm's length on normal credit terms.

19. Capital commitments

The Company had no capital commitments at the year end (2018: £nil).

20. 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:

2019	Carrying amount £000	Contractual cash flows £000	In not more than three 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	In more than 5 years £000
Trade and other payables	1,228	1,228	991	-	237	-
Amounts owing to group companies	149	149	149	-	-	-
Lease liabilities	43	45	16	14	15	-
Total	**1,420**	**1,422**	**1,156**	**14**	**252**	**-**

2018	Carrying amount £000	Contractual cash flows £000	In not more than three 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	In more than 5 years £000
Trade and other payables	967	967	765	-	202	-
Amounts owing to group companies	180	180	180	-	-	-
Total	**1,147**	**1,147**	**945**	**-**	**202**	**-**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20. Financial instruments (continued)

Liquidity risk (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 and the current debtor profile, the Company believes that no impairment provision is necessary in respect of its trade and other receivables. For maximum credit exposure see note 11. Management carefully manages its exposure to credit risk.

The Company's financial assets (excluding available-for-sale financial assets) at the year-end were as follows:

	Year ended 2019 £000	Year ended 2018 £000
Cash and cash equivalents	1,248	838
Trade receivables	933	994
Amounts due from group undertakings	77	133
	2,258	1,965

Trade and other receivables are current assets and are expected to convert to cash over the next twelve months.

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

	2019 £000	2018 £000
Individual customers	-	-
Other commercial customers	933	994
	933	994

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

Capital management

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

21. Post-balance sheet events

Covid-19 Pandemic

The World Health Organisation (WHO) declared a pandemic as a result of the Covid-19 outbreak. The UK Government announcement on 23 March 2020, locking down large parts of the UK, effectively stopped the housing market for two months. This had a significant impact on trading during this period, and has added some challenges to post lockdown ways of workings, including ensuring relevant PPE is in place and the Company adheres to social distancing guidelines for the benefit of its colleagues and customers. Since lockdown ended, there have been encouraging signs in the housing market.
The Directors consider the Covid-19 pandemic to be a non-adjusting event, but it will have a material impact on the company's turnover and results for the year ending 31 December 2020. In addition the Company's ability to recover outstanding trade receivables from customers could be negatively impacted by the Covid-19 pandemic, and other assets could need to be tested for impairment.

22. 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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