Conveyancing Direct Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2011

(Registered Number 04152278)

Contents

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity is the provision of conveyancing and associated services, and will continue to be so for the foreseeable future

Conveyancing Direct is a private limited company incorporated in England & Wales, registered number 04152278 The Council for Licensed Conveyancers regulates the business

BUSINESS REVIEW

The Company has performed well throughout 2011 given the external commercial conditions The business recorded a profit before tax of £551,000 (2010 £184,000) The Company finished the year with a strong Statement of Financial Position supported by good cash reserves

On 7 November 2011, the Company acquired the trade and assets of BE Legal to increase its conveyancing service capacity

The external commercial environment is expected to remain turbulent throughout 2012 The business is well positioned to manage the current economic climate and take advantage of any upturns in the market

Objectives and strategy of the Company

The Company's objectives are to maximise the long-term value and revenue for its shareholder and to deliver a high quality service to participants in the residential property market

Operational performance and key performance indicators

The Directors monitor the business at monthly board meetings

	2011 £000	2010 £000	Change %
Total fees and commissions	5,490	4,501	22%
Total operating profit	390	69	465%
Profit before tax	551	184	199%
Total assets	1,442	995	45%

Risks and uncertainties

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

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

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

DIVIDENDS

A dividend of £400,000 was paid during the year (2010 £750,000)

Directors' Report *(continued)*

DIRECTORS

The Directors who served during the year and to the date of signing the financial statements were

SE Ambler (resigned 1 March 2011)
RS Shipperley
AS Gill (appointed 4 January 2011)
A Palmer (appointed 4 January 2011)
J R Merrell (appointed 4 January 2011)
S Henry (appointed 4 January 2011)
JP Cosson (appointed 1 March 2011)

CREDITOR PAYMENT POLICY

The Company's policy concerning the payment of suppliers is to agree terms of payment in advance and to make the payment in accordance with agreed terms and any other legal obligations

At the year end, there was an average of 31 days' purchases outstanding (2010 31 days)

CHARITABLE AND POLITICAL DONATIONS

During the year the Company made no donations to charities (2010 £nil) No contributions were made for political purposes (2010 £nil)

EMPLOYEES

It is Company policy to provide employees with information concerning their roles and responsibilities and the trading performance of the Company This policy is to ensure opportunities are available at every level to improve employees' and corporate performance Regular meetings are held which involve directors, managers and staff

DISABLED PERSONS

The Company continues to recognise its social and statutory duty to employ disabled persons and will do all that is practicable to meet this responsibility

Full consideration will be given to the recruitment of disabled persons, where a disabled person can adequately fulfil the requirements of the job

If an employee becomes disabled he or she will continue wherever possible to be employed in the same job If this action is not practicable or possible, then every effort will be made to find suitable alternative employment

DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

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

By order of the board

AS Gill
Director

23 March 2012

Windmill Road
St Leonards on Sea
East Sussex
TN38 9BY

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

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

Company law requires the Directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONVEYANCING DIRECT LIMITED

We have audited the financial statements of Conveyancing Direct Limited for the year ended 31 December 2011 set out on pages 7 to 20 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

B. J. Stapleton 23 March 2012

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

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Year ended 2011 £000	Year ended 2010 £000
Revenue	1	5,490	4,501
Administrative expenses	2	(5,100)	(4,432)
Profit from operations		**390**	**69**
Financial income	3	161	115
Profit before tax		**551**	**184**
Tax expense	5	(164)	(64)
Profit for the year being total comprehensive income		**387**	**120**

There were no recognised income and expense items in the current year (2010 £nil) other than those reflected in the above Statement of Comprehensive Income

The Statement of Comprehensive Income is prepared on an unmodified historical cost basis

The notes on pages 11 to 20 form part of these financial statements

Statement of Financial Position

AT 31 DECEMBER 2011

	Notes	£000	31 December 2011 £000	£000	31 December 2010 £000
Current assets					
Trade and other receivables	6	640		268	
Cash and cash equivalents		409		405	
Total current assets			1,049		673
Non-current assets					
Intangible assets	7	247		216	
Property, plant and equipment	8	129		89	
Deferred tax assets	9	17		17	
Total non-current assets			393		322
Total assets			**1,442**		**995**
Current liabilities					
Trade and other payables	10	833		425	
Provisions	11	-		-	
Current tax payable		79		27	
Total current liabilities			912		452
Non-current liabilities			-		-
Total liabilities			912		452
Equity– attributable to equity holders of the Company					
Share capital	12	-		-	
Retained earnings	12	530		543	
Total equity			530		543
Total equity and liabilities			**1,442**		**995**

These accounts were approved by the Board of Directors on 23 March 2012 and signed on its behalf by

AS Gill
Director

The notes on pages 11 to 20 form part of these accounts

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2011

	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2011	-	543	543
Dividend paid	-	(400)	(400)
Total comprehensive income for the year	-	387	387
Balance at 31 December 2011	**-**	**530**	**530**
Balance at 1 January 2010	-	1,173	1,173
Dividend paid	-	(750)	(750)
Total comprehensive income for the year	-	120	120
Balance at 31 December 2010	**-**	**543**	**543**

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Year ended 2011 £000	Year ended 2010 £000
Cash flows from operating activities			
Profit for the year		387	120
Adjustments for			
Depreciation and amortisation charges	7,8	113	59
Financial income	3	(161)	(115)
Tax expense	5	164	64
Operating profit before changes in working capital		503	128
Increase in trade receivables		(178)	(2)
Increase in other receivables and prepayments		(160)	(55)
Increase / (decrease) in trade and other payables		323	(163)
Decrease in provisions		-	(36)
Cash inflow / (outflow) /from operations		488	(128)
Taxes paid		(112)	(57)
Net cash inflow / (outflow) from operating activities		**376**	**(185)**
Cash flows from investing activities			
Interest received	3	161	115
Purchase of business assets, net cash acquired	17	(43)	-
Purchases of property, plant and equipment	8	(90)	(19)
Net cash inflow from investing activities		**28**	**96**
Cash flows from financing activities			
Dividend paid		(400)	(750)
Net cash outflow from financing activities		**(400)**	**(750)**
Net increase / (decrease) in cash and cash equivalents		4	(839)
Cash and cash equivalents at 1 January		405	1,244
Cash and cash equivalents at 31 December		**409**	**405**

The notes on pages 11 to 20 form part of these accounts

NOTES TO FINANCIAL STATEMENTS

1 Accounting policies

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

a) Basis of accounting

The 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 2011

The Directors have adopted IAS 24, Related Parties (Revised 2009) and Defined Benefit Asset (Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) There is no impact on these financial statements on adopting these accounting standards

Measurement convention

The financial statements are prepared on the historical cost basis

Currency presentation

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 3 The financial position of the Company, its cash flows, and liquidity position are shown on pages 7 to 10 In addition, the Directors Report and notes to these financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk

The Company has considerable financial resources, as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The Directors believe that the Company has adequate resources to continue to operate for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

b) Revenue recognition

Revenue, which excludes value added tax, represents total invoiced sales of the Company Conveyancing income is recognised on the completion of contracts

c) Property, plant and equipment

Property, plant and equipment are stated in the Statement of Financial Position at cost less accumulated depreciation

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 10 years

All depreciation is charged on a straight-line basis

d) Trade and other receivables

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

e) Trade and other payables

Trade and other payables are stated at their fair value

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1 Accounting policies (continued)

f) Goodwill

Goodwill arising on the acquisition of a business 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 date 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"), usually a subsidiary undertaking, and comparing this to its value in use Future cash flows are based upon approved profit budgets for the next three years (adjusted for depreciation and amortisation) and assumed growth thereafter for the next 12 years at 2 5% (2010 2 5%) The Company estimates discount rates based on a current cost of capital of the business Impairment of goodwill is recognised where the present value of future cash flows of the business is less than its carrying value A fifteen year time horizon has been used to reflect that businesses 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 (group of units) on a pro rata basis An impairment loss in respect of goodwill is not reversed On the sale of a business, 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 would be recognised directly in the Income Statement

g) Leases

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

h) Taxation

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

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

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

i) Employee benefits

The Company operates a stakeholder pension scheme Contributions are charged to the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme

j) Provisions for liabilities and charges

A provision is recognised in the Statement of Financial Position when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

k) Cash and cash equivalents

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

The Statement of Cash Flows has been prepared using the indirect method

l) Net financing costs

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2 Expenses and auditors' remuneration

	Year ended 2011 £000	Year ended 2010 £000
Included in profit is the following		
Depreciation of property, plant and equipment	53	59
Amortisation of intangible assets	60	-
Staff costs (see note 4)	2,152	1,767
Rentals payable under operating leases	50	48
Auditors' remuneration and expenses		
Audit of these financial statements	12	11

3 Financial Income

	Year ended 2011 £000	Year ended 2010 £000
Interest on bank deposits	161	115

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 2011 No	Year ended 2010 No
Directors	6	2
Administration	125	80
	131	82

The aggregate payroll costs of these persons was as follows	£000	£000
Wages and salaries	1,978	1,636
Social security costs	168	127
Other pension costs	6	4
	2,152	1,767

Directors' emoluments

	Year ended 2011 £000	Year ended 2010 £000
Remuneration as Directors	198	1
Directors' fees	-	70
	198	71

Two of the Directors are remunerated by another group company, and did not receive any remuneration from Conveyancing Direct Limited (2010 one) There were no retirement benefits accruing to any of the Directors remunerated by this Company

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5 Tax expense

a) Analysis of expense in the year at 26 5% (2010 28%)	**Year ended 2011 £000**	**Year ended 2010 £000**
Current tax expense		
Current tax at 26 5% (2010 28%)	164	63
Adjustment for prior years	-	5
Total current tax	164	68
Deferred tax credit		
Origination and reversal of temporary differences	-	(4)
Total deferred tax	-	(4)
Tax expense	164	64

b) Factors affecting income tax expense in the year

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

Profit before tax	551	184
Tax on profit at UK standard rate of 26 5% (2010 28%)	146	52
Effects of		
Adjustment to tax expense in respect of prior periods	-	5
Expenses not deductible for tax	18	7
Tax expense	164	64

The tax charge for 2011 included the one-off effect on the deferred tax balances on the reduction in the corporation tax rate from 28% to 26%, which was effective from 1 April 2011

The Chancellor has proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2014 These changes have not yet been substantively enacted at the balance sheet date and therefore are not included in the figures The maximum overall effect of the further reductions from 25% to 23%, if these applied to the deferred tax balance at 31 December 2011, would be to reduce the deferred tax asset by £1,360

6 Trade and other receivables	**Year ended 2011 £000**	**Year ended 2010 £000**
Trade receivables	243	88
Amounts due from group companies	197	18
Prepayments and accrued income	200	185
Bad debt provision	-	(23)
	640	268

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

	2011 £000 Gross	**2011 £000 Impairment**	**2010 £000 Gross**	**2010 £000 Impairment**
Not overdue	243	-	59	-
Overdue 0 – 30 days	-	-	-	-
Overdue 31 – 120 days	-	-	-	-
Overdue 120 days plus	-	-	29	23
	243	-	88	23

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

	31 December 2011 £000	**31 December 2010 £000**
At 1 January	(23)	(31)
Provision created during the year	-	-
Provision utilised during the year	23	8
Provision released during the year	-	-
At 31 December	-	(23)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7 Intangible assets

	Goodwill £000	Customer Contracts & Relationships £000	Total £000
Cost			
At 1 January 2011	324	-	324
Additions	-	91	91
At 31 December 2011	**324**	**91**	**415**
Amortisation and impairment losses			
At 1 January 2011	108	-	108
Amortisation for the year	-	60	60
At 31 December 2011	**108**	**60**	**168**
Carrying amounts			
At 1 January 2011	216	-	216
At 31 December 2011	**216**	**31**	**247**

Cost	Goodwill £000	Customer Contracts & Relationships £000	Total £000
At 1 January and 31 December 2010	324	-	324
Amortisation and impairment losses			
At 1 January and 31 December 2010	108	-	108
Carrying amounts			
At 1 January and 31 December 2010	**216**	**-**	**216**

Goodwill relates to the acquisition of the original trade by the Company in 2002 Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU's) that are expected to benefit from that business combination The CGU is the Conveyancing Direct Business Before recognition of impairment losses, the cost of goodwill has been allocated to this CGU

The recoverable amount of the CGU is determined from value in use calculations The key assumptions for the value in use calculations are those regarding the cash flows, discount rates and growth rates The Company prepares cash flow forecasts on the assumption that the business is held for long-term investment The cash flows are derived from the most recent financial budget for the next three years This takes into account the risks inherent in the business, and extrapolates cash flows for subsequent years (up to an additional 12 years) based on a long-term growth rate of 2 5% (2010 2 5) The Company estimates discount rates based on the current cost of capital adjusted for the risks inherent in the cash generating unit of 11% (2010 11%)

At 31 December 2011, impairment of £108,000, (2010 £108,000) was allocated to the Conveyancing Direct Business

Additions to customer contracts and relationships relate to the Conveyancing pipeline acquired from BE Legal (see note 17)

8 Property, plant and equipment

	Office Equipment £000
Cost	
At 1 January 2011	600
Additions	90
Acquisitions	3
At 31 December 2011	**693**
Accumulated depreciation and impairment	
At 1 January 2011	511
Depreciation charge for the year	53
At 31 December 2011	**564**
Carrying amounts	
At 1 January 2011	89
At 31 December 2011	**129**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8 Property, plant and equipment (continued)

	Office Equipment £000
Cost	
At 1 January 2010	581
Additions	19
At 31 December 2010	600
Accumulated depreciation and impairment	
At 1 January 2010	452
Depreciation charge for the year	59
At 31 December 2010	511
Carrying amounts	
At 1 January 2010	129
At 31 December 2010	89

9 Deferred tax

The movement on the deferred tax account is as shown below

	Year ended 2011 £000	Year ended 2010 £000
At 1 January	17	13
Statement of Comprehensive Income credit	-	4
At 31 December	17	17

Deferred tax assets	Accelerated capital allowances £000
At 1 January 2011	17
Credit to Statement of Comprehensive Income	-
At 31 December 2011	17
Net deferred tax asset	
At 31 December 2011	17

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 25% (2010 27%) this is the enacted rate that is expected to apply when the temporary differences reverse

10 Trade and other payables

	Year ended 2011 £000	Year ended 2010 £000
Other payables	62	70
Amounts owed to group undertakings	295	4
Other taxes and social security costs	233	139
Accruals and deferred income	243	212
	833	425

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Provisions

	Year ended 2011 £000	Year ended 2010 £000
At 1 January 2011	-	36
Provision used during the year	-	(36)
At 31 December 2011	-	-

The provision is for claims and potential claims that arise during the normal course of business in relation to conveyancing work performed by the Company The provision is calculated on a case by case basis, the provisioning for which takes into account market conditions and a prudent attitude to risk

12 Share capital

	Year ended 2011 £	Year ended 2010 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2

Management of capital

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

	Year ended 2011 £000	Year ended 2010 £000
Capital		
Ordinary shares	-	-
Retained earnings	530	543
	530	543

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

The Company manage the capital balance in order to ensure that the internal limit is not breached

13 Defined contribution pension scheme

The Company operates a stakeholder pension scheme, the assets of which are held separately from those of the Company, as independently administered funds The amount charged to the Statement of Comprehensive Income in respect of the stakeholder pension scheme is the contribution payable in the year which amounted to £5,719 (2010 £3,979) There were no outstanding or prepaid contributions at either the beginning or end of the financial year

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14 Related party transactions

The Company has related party relationships within the Skipton Group as detailed below
All such transactions are priced on an arms-length basis

	2011 Ultimate parent undertaking £000	2011 Parent undertaking £000	2011 Other group companies £000	2010 Ultimate parent undertaking £000	2010 Parent undertaking £000	2010 Other group companies £000
a) Net interest						
Interest receivable	50	-	-	15	-	-
Interest payable	-	-	-	-	-	-
Total	50	-	-	15	-	-
b) Sales of goods and services						
Commission receivable	657	-	196	69	-	48
Total	657	-	196	69	-	48
c) Purchase of goods and services	-	642	886	-	643	1,020
Total	-	642	886	-	643	1,020
d) Outstanding balances						
Interest receivable	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-
Sale of goods and services	129	-	68	8	-	10
Purchase of goods and services	-	295	-	-	4	-
Total	129	295	68	8	4	10

There is no cash held on deposit with the Skipton Building Society held within cash and cash equivalents (2010 £nil)
All transactions are dealt with on normal credit terms

15 Capital Commitments

There were no capital commitments at the year end (2010 £nil)

16 Operating lease commitments

The Company has annual commitments due under operating leases in respect of rental payable on land and buildings At the year end total commitments under these non-cancellable operating leases are as follows

	Year ended 2011 £000	Year ended 2010 £000
Amounts falling due		
Less than one year	75	50
Between one and five years	211	144
More than five years	-	-
	286	194

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17 Acquisitions

On 7 November 2011, the Company acquired the trade and assets of BE Legal for £50,000 The principal activity of this business is the provision of conveyancing services The assets and liabilities acquired and subsequent fair value adjustments were as follows

Summary Statement of Financial Position	Book Value At Acquisition £000	Fair Value Adjustments £000	Total £000
Intangible assets	-	91	91
Property, plant, and equipment	3	-	3
Cash	7	-	7
Receivables	35	-	35
Liabilities	(86)	-	(86)
	(41)	91	50
Goodwill			-
Consideration			50

The fair value adjustments to intangible assets relate to the value assigned to the conveyancing pipeline on the date of acquisition

18 Accounting estimates and judgements

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

- Accounting policies – certain critical judgments have been made in applying the Company's accounting policies in relation to impairment provisions on trade receivables (note 6)

- Impairment testing – the recoverable amounts of the operating segments are determined from value in use calculations The key assumptions for the value in use calculations are those regarding the cash flows, discount rates and growth rates The Company prepares cash flow forecasts on the assumption that the goodwill held relates to assets purchased that continue to be used in the business The cash flows are derived from the most recent financial budgets for the next three years, which take into account the risks inherent in the businesses, and extrapolate cash flows for subsequent years (up to an additional 12 years) based on long-term growth rate of 2 5% (2010 2 5%) The Company estimates discount rates based on the current cost of capital adjusted for the risks inherent in its subsidiaries The discount rate used in 2010 was 11% (2010 11%)

- Taxation - significant estimates are required in determining the provision of corporation tax There are a number of transactions for which the final tax determination is uncertain at the year end

19 Financial instruments

Financial risks

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

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

Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19 Fınancıal ınstruments (contınued)

Liquidity risk (continued)

The followıng are contractual maturıtıes of financıal lıabılıtıes, ıncludıng ınterest payments and excludıng the ımpact of nettıng 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 not less than 1 year £000	In more than one year but not more than 5 years £000
Amounts owıng to group companıes	295	-	295	-	-	-
Trade and other payables	538	-	538	-	-	-
Total	833	-	833	-	-	-

There are no dıfferences between the faır values of financıal assets and lıabılıtıes and theır carryıng amounts showıng ın the Statement of Fınancıal Posıtıon

Market risk

Market rısk ıs the rısk that the faır value or future cash flows of a financıal ınstrument wıll fluctuate because of changes ın market prıces Market rısk comprıses two types of rısk ınterest rate rısk and currency rısk

Currency risk

The Company ıs not exposed to any currency rısk as all transactıons are denomınated ın Sterlıng

Interest rate risk

The Company has no ınterest bearıng lıabılıtıes, other than loans from group undertakıngs, and the Company monıtors thıs exposure on a contınuous basıs

Credit risk

Credıt rısk ıs the rısk of financıal loss to the Company ıf a customer faıls to meet ıts contractual oblıgatıons, and arıses prıncıpally from the Company's receıvables from customers Based on hıstorıc default rates, the Company belıeves that no ımpaırment provısıon ıs necessary ın respect of most of ıts trade receıvables For maxımum credıt exposure see note 6 Management carefully manages ıts exposure to credıt rısk

Capital management

The Board's polıcy ıs to maıntaın a strong capıtal base so as to maıntaın ınvestor, credıtor and market confidence and to sustaın future development of the busıness The Board monıtors the return on capıtal and level of dıvıdends to ordınary shareholders There were no changes ın the Company's approach to capıtal management durıng the year The Company ıs not subject to externally ımposed capıtal requırements

19 Adoptıon of new and revısed Internatıonal Fınancıal Reportıng Standards

Dısclosed below are new standards and ınterpretatıons, whıch have been adopted durıng the perıod

- IAS 24, Related Partıes (Revısed 2009) The revısed standard must be applıed for annual perıods begınnıng on or after 1 January 2011 and amends the defınıtıon of a related party and modıfies certaın related party dısclosure requırements for government-related entıtıes The revısed standard has had no ımpact on these financıal statements

- Amendments to IFRIC 14 IAS 19 – The Lımıt on a Defined Benefit Asset, Mınımum Fundıng Requırements and theır Interactıon These amendments remove unıntended consequences arısıng from the treatment of prepayments where there ıs a mınımum fundıng requırement These amendments result ın prepayments of contrıbutıons ın certaın cırcumstances beıng recognısed as an asset rather than an expense These amendments have had no ımpact on these financıal statements

21 Ultımate Parent Undertakıng

The Company ıs a wholly owned subsıdıary of Connells Lımıted The ultımate parent undertakıng ıs Skıpton Buıldıng Socıety, whıch ıs regıstered ın the Unıted Kıngdom The largest group ın whıch the results are consolıdated ıs that headed by Skıpton Buıldıng Socıety The smallest group ıs that headed by Connells Lımıted and the consolıdated accounts of thıs company are avaılable to the publıc and can be obtaıned from

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