

Conveyancing Direct Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2012

(Registered Number 04152278)

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Directors' Report

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

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The 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. Company operates under both the Conveyancing Direct and BE Legal brands.

BUSINESS REVIEW

The Company has performed well throughout 2012 given the external commercial conditions. The business recorded a profit before tax of £415,000 (2011: £551,000). The Company finished the year with a strong Statement of Financial Position supported by good cash reserves.

The external commercial environment is expected to remain turbulent throughout 2013. 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.

	2012 £000	2011 £000	Change %
Total fees and commissions	6,186	5,490	13%
Total operating profit	254	390	(35%)
Profit before tax	415	551	(25%)
Total assets	1,486	1,442	3%

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 risk.
- 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

No interim dividend has been paid during the year (2011: £400,000). The Directors do not recommend payment of a final dividend (2011: £nil).

Directors' Report *(continued)*

DIRECTORS

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

RS Shipperley
AS Gill (resigned 29th June 2012)
A Palmer
J R Merrell
S Henry
JP Cosson
MJ Oliver (appointed 29th June 2012)

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 37 days' purchases outstanding (2011 31 days)

CHARITABLE AND POLITICAL DONATIONS

During the year the Company made no donations to charities (2011 £nil) No contributions were made for political purposes (2011 £nil)

EMPLOYEES

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

DISABLED PERSONS

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

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

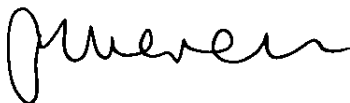
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make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

J R Merrell
Director



26 March 2013

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 2012 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

B J Stapleton 27 March 2013

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

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 2012 £000	Year ended 2011 £000
Revenue	1	6,186	5,490
Administrative expenses	2	<u>(5,932)</u>	<u>(5,100)</u>
Profit from operations		254	390
Financial income	3	<u>161</u>	<u>161</u>
Profit before tax		415	551
Tax expense	5	<u>(86)</u>	<u>(164)</u>
Profit for the year being total comprehensive income		<u>329</u>	<u>387</u>

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

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

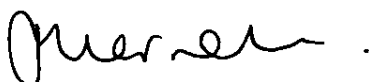
The notes on pages 11 to 19 form part of these financial statements

Statement of Financial Position

AT 31 DECEMBER 2012

	Notes	£000	31 December 2012 £000	£000	31 December 2011 £000
Non-current assets					
Intangible assets	6	216		247	
Property, plant and equipment	7	133		129	
Deferred tax assets	8	18		17	
Total non-current assets			367		393
Current assets					
Trade and other receivables	9	369		640	
Cash and cash equivalents		750		409	
Total current assets			1,119		1,049
Total assets			1,486		1,442
Current liabilities					
Trade and other payables	10	590		833	
Current tax payable		37		79	
Total current liabilities			627		912
Total liabilities			627		912
Equity— attributable to equity holders of the Company					
Share capital	11	-		-	
Retained earnings	11	859		530	
Total equity			859		530
Total equity and liabilities			1,486		1,442

These accounts were approved by the Board of Directors on 26 March 2013 and signed on its behalf by



J R Merrell
Director

Company registration number: 4152278

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

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2012	-	530	530
Total comprehensive income for the year	-	329	329
Balance at 31 December 2012	-	859	859
Balance at 1 January 2011	-	543	543
Dividends paid	-	(400)	(400)
Total comprehensive income for the year	-	387	387
Balance at 31 December 2011	-	530	530

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 2012 £000	Year ended 2011 £000
Cash flows from operating activities			
Profit for the year		329	387
Adjustments for			
Amortisation of intangible assets	6	31	60
Depreciation	7	56	53
Financial income	3	(161)	(161)
Tax expense	5	86	164
Operating profit before changes in working capital		341	503
Decrease / (increase) in trade receivables		128	(178)
Decrease / (increase) in other receivables and prepayments		143	(160)
(Decrease) / increase in trade and other payables		(243)	323
Cash inflow from operations		369	488
Taxes paid		(129)	(112)
Net cash inflow from operating activities		240	376
Cash flows from investing activities			
Interest received	3	161	161
Purchase of business assets, net cash acquired	16	-	(43)
Purchases of property, plant and equipment	7	(60)	(90)
Net cash inflow from investing activities		101	28
Cash flows from financing activities			
Dividend paid		-	(400)
Net cash outflow from financing activities		-	(400)
Net increase in cash and cash equivalents		341	4
Cash and cash equivalents at 1 January		409	405
Cash and cash equivalents at 31 December		750	409

The notes on pages 11 to 19 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 2012.

There have been no new accounting policies adopted in the year.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1 Accounting policies (continued)

f) Goodwill (continued)

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) Intangible assets

Intangible assets include acquired customer contracts and relationships, software development costs and purchased software that in the opinion of the directors meets 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.

All customer contracts and relationships are now fully amortised.

h) Leases

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

i) Taxation

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

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

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

j) Employee benefits

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.

k) 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.

l) 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.

m) 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 2012 £000	Year ended 2011 £000
Included in profit is the following		
Depreciation of property, plant and equipment	56	53
Amortisation of intangible assets	31	60
Staff costs (see note 4)	2,589	2,152
Rentals payable under operating leases	75	50
Auditors' remuneration and expenses		
Audit of these financial statements	<u>9</u>	<u>12</u>

3 Financial Income

	Year ended 2012 £000	Year ended 2011 £000
Interest on bank deposits	<u>161</u>	<u>161</u>

4 Staff numbers and costs

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

	Year ended 2012 No	Year ended 2011 No
Directors	6	6
Administration	<u>142</u>	<u>125</u>
	<u>148</u>	<u>131</u>

The aggregate payroll costs of these persons was as follows

	£000	£000
Wages and salaries	2,362	1,978
Social security costs	224	168
Other pension costs	<u>3</u>	<u>6</u>
	<u>2,589</u>	<u>2,152</u>

Directors' emoluments

	Year ended 2012 £000	Year ended 2011 £000
Remuneration as Directors	<u>160</u>	<u>198</u>

Three of the Directors are remunerated by another group company, and did not receive any remuneration from Conveyancing Direct Limited (2011 two). There were no retirement benefits accruing to any of the Directors remunerated by this Company.

5 Tax expense

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

	Year ended 2012 £000	Year ended 2011 £000
Current tax expense		
Current tax at 24.5% (2011 26.5%)	104	164
Adjustment for prior years	<u>(17)</u>	<u>-</u>
Total current tax	<u>87</u>	<u>164</u>
Deferred tax credit		
Origination and reversal of temporary differences	<u>(1)</u>	<u>-</u>
Total deferred tax	<u>(1)</u>	<u>-</u>
Tax expense	<u>86</u>	<u>164</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

b) Factors affecting income tax expense in the year

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

	Year ended 2012 £000	Year ended 2011 £000
Profit before tax	415	551
Tax on profit at UK standard rate of 24.5% (2011 26.5%)	102	146
Effects of		
Adjustment to tax expense in respect of prior periods	(17)	-
Expenses not deductible for tax	-	18
Effect of other tax rates / credits	1	-
Tax expense	86	164

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

6 Intangible assets

	Goodwill £000	Customer Contracts & Relationships £000	Total £000
Cost			
At 1 January and 31 December 2012	324	91	415
Amortisation and impairment losses			
At 1 January 2012	108	60	168
Amortisation for the year	-	31	31
At 31 December 2012	108	91	199
Carrying amounts			
At 1 January 2012	216	31	247
At 31 December 2012	216	-	216
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

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% (2011 2.5%). The Company estimates pre-tax discount rates based on the current cost of capital adjusted for the risks inherent in the cash generating unit of 13.9% (2011 14.5%).

At 31 December 2012, impairment of £108,000 (2011 £108,000) was allocated to the Conveyancing Direct Business.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7 Property, plant and equipment

	Office Equipment £000
Cost	
At 1 January 2012	693
Additions	60
At 31 December 2012	<u>753</u>
Accumulated depreciation and impairment	
At 1 January 2012	564
Depreciation charge for the year	56
At 31 December 2012	<u>620</u>
Carrying amounts	
At 1 January 2012	<u>129</u>
At 31 December 2012	<u>133</u>
	Office Equipment £000
Cost	
At 1 January 2011	600
Additions	90
Acquisitions	3
At 31 December 2011	<u>693</u>
Accumulated depreciation and impairment	
At 1 January 2011	511
Depreciation charge for the year	53
At 31 December 2011	<u>564</u>
Carrying amounts	
At 1 January 2011	<u>89</u>
At 31 December 2011	<u>129</u>

8 Deferred tax

The movement on the deferred tax account is as shown below

	Year ended 2012 £000	Year ended 2011 £000
At 1 January	17	17
Statement of Comprehensive Income credit	1	-
At 31 December	<u>18</u>	<u>17</u>
Deferred tax assets		Accelerated capital allowances £000
At 1 January 2012		17
Credit to Statement of Comprehensive Income		1
At 31 December 2012		<u>18</u>
Net deferred tax asset		
At 31 December 2012		<u>18</u>

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at least annually and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred taxes are calculated on timing differences under the liability method using an effective tax rate of 23% (2011: 25%) this is the enacted rate that is expected to apply when the temporary differences reverse.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8 Deferred tax (continued)

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

9 Trade and other receivables

	Year ended 2012 £000	Year ended 2011 £000
Trade receivables	115	243
Amounts due from group companies	50	197
Prepayments and accrued income	165	200
Other receivables	39	-
	<u>369</u>	<u>640</u>

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

	31 December 2012 £000	31 December 2011 £000
At 1 January	-	(23)
Provision created during the year	-	-
Provision utilised during the year	-	23
Provision released during the year	-	-
At 31 December	<u>-</u>	<u>-</u>

10 Trade and other payables

	Year ended 2012 £000	Year ended 2011 £000
Trade payables	23	62
Amounts owed to group undertakings	270	295
Other taxes and social security costs	273	233
Accruals and deferred income	24	243
	<u>590</u>	<u>833</u>

11 Share capital

	Year ended 2012 £	Year ended 2011 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

Management of capital

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

	Year ended 2012 £000	Year ended 2011 £000
Capital		
Ordinary shares	-	-
Retained earnings	<u>859</u>	<u>530</u>

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12 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 £3,427 (2011: £5,719). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

13 Related party transactions

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

	2012			2011		
	Ultimate parent undertaking £000	Parent undertaking £000	Other group companies £000	Ultimate parent undertaking £000	Parent undertaking £000	Other group companies £000
a) Net interest						
Interest receivable	-	-	-	50	-	-
Interest payable	-	-	-	-	-	-
Total	-	-	-	50	-	-
b) Sales of goods and services						
Commission receivable	880	-	280	657	-	196
Total	880	-	280	657	-	196
c) Purchase of goods and services						
	-	421	1,414	-	642	886
Total	-	421	1,414	-	642	886
d) Outstanding balances						
Interest receivable	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-
Sale of goods and services	50	-	-	129	-	68
Purchase of goods and services	-	50	170	-	295	-
Total	50	50	170	129	295	68

There is no cash held on deposit with the Skipton Building Society held within cash and cash equivalents (2011: £nil). All transactions are dealt with on normal credit terms.

14 Capital Commitments

There were no capital commitments at the year end (2011: £nil).

15 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 2012 £000	Year ended 2011 £000
Amounts falling due		
Less than one year	75	75
Between one and five years	136	211
More than five years	-	-
	211	286

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16 Acquisitions

Acquisitions in the prior period

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)
	<u>(41)</u>	<u>91</u>	<u>50</u>
Goodwill			-
Consideration			<u>50</u>

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

17 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 9).
- 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% (2011: 2.5%). The Company estimates pre-tax discount rates based on the current cost of capital adjusted for the risks inherent in its subsidiaries. The discount rate used in 2012 was 13.9% (2011: 14.5%).
- Taxation - significant estimates are required in determining the provision of corporation tax.

18 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)*

18 Financial instruments (continued)

Liquidity risk (continued)

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

	Carrying amount £000	Contractual cash flows £000	In not more than one month £000	In not more than 3 months £000	In more than 3 months but not less than 1 year £000	In more than one year but not more than 5 years £000
Amounts owing to group companies	270	270	270	-	-	-
Trade and other payables	320	320	320	-	-	-
Total	590	590	590	-	-	-

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, other than loans from group undertakings, and the Company monitors this exposure on a continuous basis.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Based on historic default rates, the Company believes that no impairment provision is necessary in respect of most of its trade receivables. For maximum credit exposure see note 9. Management carefully manages its exposure to credit risk.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and level of dividends to ordinary shareholders. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

19 Adoption of new and revised International Financial Reporting Standards

There have been no new accounting policies adopted in the year.

20 Ultimate Parent Undertaking

The Company is a wholly owned subsidiary of Connells Limited. The ultimate parent undertaking is Skipton Building Society, which is registered in the United Kingdom. The largest group in which the results are consolidated is that headed by Skipton Building Society. The smallest group is that headed by Connells Limited and the consolidated accounts of this company are available to the public and can be obtained from:

Companies House
Crown Way
Cardiff
CF4 3UZ