CONVEYANCING DIRECT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2016

(Registered Number 04152278)

Contents

Directors' Report

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

INTRODUCTION AND OVERVIEW

Conveyancing Direct is a private limited company incorporated in England & Wales, registered number: 04152278. The company provides conveyancing and legal services to the residential property market. The Council for Licensed Conveyancers regulates the business. The Company operates under both the Conveyancing Direct and BE Legal brands.

The Company made a profit before tax of £1,767,000 for the year (2015: £2,087,000).

DIRECTORS

The Directors who served during the year and up to the date of this report were:

RS Shipperley
JR Duke
A Hiesley
J Kelbrick
G Benzies
RJ Twigg

DIVIDENDS

A dividend of £2,000,000 has been paid during the year (2015: £1,000,000). The Directors do not recommend payment of a final dividend (2015: £nil).

CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable or political donations in the year (2015: £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 AUDITOR

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

AUDITOR

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

By order of the board

RJ Twigg
Director

28 March 2017

Windmill Road
St Leonards on Sea
East Sussex
TN38 9BY

Strategic Report

BUSINESS REVIEW

The principal activity is the provision of property conveyancing and associated services, and will continue to be so for the foreseeable future. The state of the UK housing market therefore has a direct impact on the Company's performance.

2016 saw generally favourable conditions in the UK housing market and led to good sales revenue. Whilst indications show that a base rate increase may not be seen until late 2017, remortgage volumes look to improve through 2017. The Company has recorded a profit before tax of £1,767,000 (2015: £2,087.000). Despite a decrease on 2015, this was a good achievement in a very competitive market place.

Objectives and strategy of the Company

The Company's objectives are to maximise the long term value and revenue for its shareholder and to maintain the delivery of the high quality and flexible service required to meet the various demands of its clients.

Operational performance and key performance indicators

The Directors monitor the business by using relevant KPI's. Board meetings are held at which the results are discussed in detail. The table below shows KPI's that are monitored for the business.

	2016	**2015**	**Change**
	£000	**£000**	**%**
Revenue	8,944	8,662	3.3%
Profit before tax	1,767	2,087	-15.4%
Movement in:			
Mortgage Completions	0.0%	+24.1%	
Re-mortgage Completions	+4.3%	+13.3%	

Risks and uncertainties

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

This has three elements:

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

In common with other conveyancing service providers, the Company is reasonably highly operationally geared. Performance is affected by the state of the residential housing market so that in the short term, most costs are fixed so when income falls this has a direct and adverse impact on profits and cash flows. Therefore the Company's policy is to retain sufficient cash to ensure that any future deterioration in trading can be funded without recourse to external borrowing.

Conveyancing Direct Limited 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.

By order of the board

RJ Twigg
Director

24 March 2017
Windmill Road
St Leonards on Sea
East Sussex
TN38 9BY

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, 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 (IFRSs) as adopted by the EU and applicable law.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONVEYANCING DIRECT LIMITED

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

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

- We have not identified material misstatements in those reports; or
- In our opinion, those reports have been prepared in accordance with the Companies Act 2006

Matters on which we are required to report by exception

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

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

David Burridge

27 March 2017

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

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

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 2016 £000	Year ended 2015 £000
Revenue	1	8,944	8,662
Administrative expenses	2	(7,203)	(6,608)
Profit from operations		**1,741**	**2,054**
Finance income	3	26	33
Profit before tax		**1,767**	**2,087**
Income tax expense	5	(352)	(428)
Profit for the year		**1,415**	**1,659**

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

There were no recognised income and expense items in the current or preceding year other than those reflected in the above Income Statement.

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

Statement of Financial Position

AT 31 DECEMBER 2016

	Notes	£000	31 December 2016 £000	£000	31 December 2015 £000
Non-current assets					
Property, plant and equipment	6	207		219	
Deferred tax assets	7	15		18	
Total non-current assets			222		237
Current assets					
Trade and other receivables	8	1,131		740	
Cash and cash equivalents		951		1,598	
Total current assets			2,082		2,338
Total assets			2,304		2,575
Current liabilities					
Trade and other payables	9	1,216		835	
Tax liabilities		157		224	
Total current liabilities			1,373		1,059
Total liabilities			1,373		1,059
Equity – attributable to equity holders of the Company					
Share capital	10	-		-	
Retained earnings	10	931		1,516	
Total equity			931		1,516
Total equity and liabilities			2,304		2,575

These accounts were approved by the Board of Directors on 24 March 2017 and signed on its behalf by:

RJ Twigg
Director

Company registration number: 04152278

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

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2016	-	1,516	1,516
Total income for the year	-	1,415	1,415
Dividend paid	-	(2,000)	(2,000)
Balance at 31 December 2016	**-**	**931**	**931**
Balance at 1 January 2015	-	857	857
Total income for the year	-	1,659	1,659
Dividend paid	-	(1,000)	(1,000)
Balance at 31 December 2015	**-**	**1,516**	**1,516**

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

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 2016 £000	Year ended 2015 £000
Cash flows from operating activities			
Profit for the year		1,415	1,659
Adjustments for:			
Depreciation	6	85	77
Finance income	3	(26)	(33)
Tax expense	5	352	428
Operating profit before changes in working capital		1,826	2,131
(Increase) in trade receivables		(294)	(226)
(Increase) / Decrease in other receivables and prepayments		(97)	259
Increase / (Decrease) in trade and other payables		381	(131)
Cash inflow from operations		1,816	2,033
Tax paid		(416)	(425)
Net cash inflow from operating activities		**1,400**	**1,608**
Cash flows from investing activities			
Interest received	3	26	33
Purchases of property, plant and equipment	6	(73)	(187)
Net cash (outflow) / inflow from investing activities		**(47)**	**(154)**
Cash flows from financing activities			
Dividend paid		(2,000)	(1,000)
Net cash outflow from financing activities		**(2,000)**	**(1,000)**
Net (decrease) / increase in cash and cash equivalents		(647)	454
Cash and cash equivalents at 1 January		1,598	1,144
Cash and cash equivalents at 31 December		**951**	**1,598**

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, registered and domiciled in the UK. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's accounts:

a) Basis of accounting

The Company'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 2016, and those parts of the Companies Act 2006 applicable to Companies reporting under IFRS.

The Company has applied the following changes in accounting standards during the year:

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);
- Annual Improvements to IFRSs 2012 – 2014 cycle – various standards; and
- Disclosure Initiative (Amendments to IAS 1).

These amendments have had no material impact on these financial statements.

Disclosed below are the new IFRS and amendments which at 31 December 2016 have been endorsed by the EU but were not effective and have therefore not been applied in preparing these financial statements:

- Disclosure Initiative (Amendments to IAS 7);
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12);
- IFRS 15 Revenue from Contracts with Customers;
- IFRS 9 Financial Instruments; and
- IFRS 16 Leases.

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 are set out in the Strategic Report and the Directors' Report. The financial position of the Company, its cash flows, and liquidity position are shown on pages 7 to 10. In addition, the Directors' Report and notes to these financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has sufficient financial resources and the directors believe that the Company is well placed to manage its financial risks successfully during the current economic outlook, 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 at the following rates:

Fixtures and fittings	-	5 to 10 years
Office equipment	-	3 to 5 years
Leasehold premises	-	Over the unexpired term of the lease in equal instalments

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

e) Trade and other payables

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

f) Leases

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

g) Taxation

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

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

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

h) Employee benefits

The Company operates a Group Personal Pension Plan. Contributions are charged to the Income Statement as they become payable in accordance with the rules of the scheme.

i) 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.

j) Cash and cash equivalents

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

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

k) Net financing costs

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. Expenses and auditor's remuneration

	Year ended 2016 £000	Year ended 2015 £000
Profit before tax is stated after charging the following:		
Depreciation of property, plant and equipment	85	77
Staff costs (see note 4)	3,707	3,334
Rentals payable under operating leases	228	220
Auditor's remuneration and expenses:		
Audit of these financial statements	14	15

3. Finance Income

	Year ended 2016 £000	Year ended 2015 £000
Interest on bank deposits	26	33

4. Staff numbers and costs

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

	Year ended 2016 No	Year ended 2015 No
Directors	6	6
Administration	186	160
	192	166

The aggregate payroll costs of these persons was as follows:	£000	£000
Wages and salaries	3,389	3,063
Social security costs	260	234
Other pension costs	58	37
	3,707	3,334

Directors' emoluments	Year ended 2016 £000	Year ended 2015 £000
Remuneration as Directors	214	196

Three (2014: three) of the Directors are remunerated by other group companies, and did not receive any remuneration from Conveyancing Direct Limited. The aggregate of emoluments of the highest paid Director was £102,295 (2015: £95,727). There were no retirement benefits accruing to any of the Directors remunerated by the Company (2015: none).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Tax expense

a) Analysis of expense in the year at 20% (2015: 20.25%)	**Year ended 2016 £000**	**Year ended 2015 £000**
Current tax expense		
Current tax at 20% (2015: 20.25%)	358	428
Adjustment for prior years	(9)	(45)
Total current tax	349	383
Deferred tax expense/ (income)		
Current year	(4)	-
Adjustment for prior years	7	45
Total deferred tax	3	45
Tax expense	352	428

b) Factors affecting income tax expense in the year

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

	Year ended 2016 £000	**Year ended 2015 £000**
Profit before tax	1,767	2,087
Tax on profit at UK standard rate of 20% (2015: 20.25%)	353	422
Effects of:		
Adjustment to tax expense in respect of prior periods	(4)	6
Effect of other tax rates / credits	3	-
Tax expense	352	428

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 3 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charges accordingly. The deferred tax liability at 31 December has been calculated based on these rates.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Property, plant and equipment

	Land and Buildings £000	Office Equipment £000	Total £000
Cost			
At 1 January 2016	97	918	1,015
Additions	26	47	73
At 31 December 2016	**123**	**965**	**1,088**
Accumulated depreciation and impairment			
At 1 January 2016	96	700	796
Depreciation charge for the year	2	83	85
At 31 December 2016	**98**	**783**	**881**
Carrying amounts			
At 1 January 2016	1	218	219
At 31 December 2016	**25**	**182**	**207**

	Land and Buildings £000	Office Equipment £000	Total £000
Cost			
At 1 January 2015	97	731	828
Additions	-	187	187
At 31 December 2015	**97**	**918**	**1015**
Accumulated depreciation and impairment			
At 1 January 2015	96	623	719
Depreciation charge for the year	-	77	77
At 31 December 2015	**96**	**700**	**796**
Carrying amounts			
At 1 January 2015	1	108	109
At 31 December 2015	**1**	**218**	**219**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. Deferred tax

The movement on the deferred tax account is as shown below:

	Accelerated capital allowances 31 Dec 2016 £000	Accelerated capital allowances 31 Dec 2015 £000
At 1 January	18	63
Adjustment in respect of prior periods	(7)	(45)
Income Statement credit	4	-
At 31 December	**15**	**18**

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 temporary differences under the liability method using an *effective tax rate of 17% (2015: 18%) this is the enacted rate that is expected to apply when the temporary differences reverse.*

8. Trade and other receivables

	31 Dec 2016 £000	31 Dec 2015 £000
Trade receivables	704	492
Amounts due from group companies	247	193
Prepayments and accrued income	212	115
Other receivables	2	2
Bad debt provision	(34)	(62)
	1131	**740**

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

	31 Dec 2016 £000 Gross	31 Dec 2016 £000 Impairment	31 Dec 2015 £000 Gross	31 Dec 2015 £000 Impairment
Not overdue	670	-	430	-
Overdue 120 days plus	34	(34)	62	(62)
	704	**(34)**	**492**	**(62)**

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

	2016 £000	2015 £000
At 1 January	(62)	(60)
Provisions made during the year	-	(25)
Provisions released during the year	28	23
At 31 December	**(34)**	**(62)**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9. Trade and other payables

	Year ended 2016 £000	Year ended 2015 £000
Trade payables	131	31
Amounts owed to group undertakings	343	298
Other taxes and social security costs	208	198
Accruals and deferred income	513	287
Other payables	21	21
	1,216	**835**

10. Share capital

Allotted, called up and fully paid	Year ended 2016 £000	Year ended 2015 £000
1 Ordinary share of £1 each	-	-

Management of capital

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

	Year ended 2016 £000	Year ended 2015 £000
Capital		
Ordinary shares	-	-
Retained earnings	931	1,516
	931	1,516

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.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Related party transactions

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

	2016 Ultimate parent undertaking £000	2016 Immediate Parent undertaking £000	2016 Other group companies £000	2015 Ultimate parent undertaking £000	2015 Immediate Parent undertaking £000	2015 Other group companies £000
a) Sales of goods and services						
Commission receivable	1,728	-	-	1,604	-	-
Total	**1,728**	**-**	**-**	**1,604**	**-**	**-**
b) Purchase of goods and services	-	-	1,598	-	-	1,549
Total	**-**	**-**	**1,598**	**-**	**-**	**1,549**
c) Outstanding balances						
Receivables from related parties	247	-	-	193	-	-
Payables to related parties	-	(343)	-	-	(282)	(16)
Total	**247**	**(344)**	**-**	**193**	**(282)**	**(16)**

All transactions are dealt with on normal credit terms.

12. 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 which amounted to £58,174 (2015: £37,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

13. Capital Commitments

There were no capital commitments at the year-end (2015: £nil).

14. 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 2016 £000	Year ended 2015 £000
Amounts falling due:		
Less than one year	228	84
Between one and five years	366	184
More than five years	304	-
	898	**268**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. Financial instruments

Financial risks

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

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

Liquidity risk

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

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

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

	Carrying amount £000	Contractual cash flows £000	In not more than one month £000	In not more than 3 months £000	In more than 3 months but not less than 1 year £000	In more than one year but not more than 5 years £000
Trade and other payables	665	665	665	-	-	-
Amounts owing to group companies	343	343	343	-	-	-
Total	**1,008**	**1,008**	**1,008**	**-**	**-**	**-**

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16. 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:

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