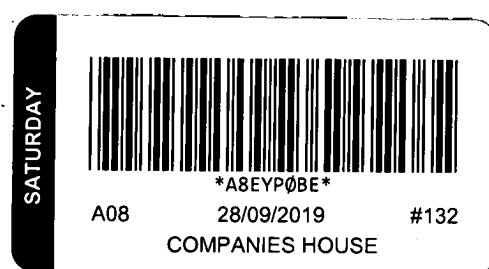


CONVEYANCING DIRECT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2018

(Registered Number 04152278)



Contents

Directors' report	3
Strategic report	5
Statement of Directors' Responsibilities in Respect of the Strategic Report, Directors' Report and the Financial Statements	7
Independent Auditor's Report to the Members of Conveyancing Direct Limited	8
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes	14

Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2018.

INTRODUCTION AND OVERVIEW

Conveyancing Direct Limited 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 £167,000 for the year (2017: £1,199,000).

DIRECTORS

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

RS Shipperley
JR Duke (Resigned 04 July 2018)
A Hiesley (Resigned 31 March 2018)
J Kelbrick
I Goddard (Resigned 14 March 2019)
MV Timms
G Benzie
RJ Twigg
JP Cosson (Appointed 15 March 2019)
JM Davy (Appointed 17 January 2019)

DIVIDENDS

A dividend of £nil has been paid during the year (2017: £1,000,000). The Directors do not recommend payment of a final dividend (2017: £nil).

CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable or political donations in the year (2017: £nil).

EMPLOYEES

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

EMPLOYEE DEVELOPMENT AND EQUAL OPPORTUNITIES

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

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

DISCLOSURE OF INFORMATION TO 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 was deemed to be reappointed and therefore KPMG LLP continued in office for the financial period 1 January 2018 to 31 December 2018.

Following a tender process undertaken during 2018 by Skipton Building Society, it was recommended that EY LLP be appointed for the Skipton Group (which includes Conveyancing Direct Limited) for the year ending 31 December 2019. This was formally approved at the AGM on 29th April 2019.

Directors' Report (continued)

By order of the board



RJ Twigg
Director

27 September 2019
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.

In 2018 there was a change in our remortgage strategy with the reduction of high volume remortgage client work which resulted in lower remortgage instructions (2018: 12,964, 2017: 25,757) which impacted our remortgage revenue.

Headcount and variable costs were reduced in the year against the higher volumes seen in 2017.

Our transactional department saw similar instruction levels (2018: 8,302, 2017: 8,628), but reduced completion levels at 5,189 (2017: 5,848) which also resulted in a reduction of revenue.

The combination of the reduced remortgage work and reduced transactional completions resulted in reduced profitability for 2018

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 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 results are discussed in detail. The table below shows KPI's that are monitored for the business.

	2018 £000	2017 £000	Change %
Revenue	7,324	9,149	(20.0)%
Profit before tax	167	1,199	(86.1)%
Movement in:			
Mortgage Completions	(11)%	0.0%	
Re-mortgage Completions	(47)%	2%	

Risks and uncertainties

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

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.

Strategic Report (continued)

Risks and uncertainties (continued)

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. In the short term, many 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 designed to attract, motivate and retain high quality people.

By order of the board



RJ Twigg
Director

27 September 2019
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, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

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

Opinion

We have audited the financial statements of Conveyancing Direct Limited ("the company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Brexit other matter paragraph

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONVEYANCING DIRECT LIMITED *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Karen Tasker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Fourth Street,
Milton Keynes
MK9 1NE

27 September 2019

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 2018 £000	Year ended 2017 £000
Revenue	3	7,324	9,149
Administrative expenses	2	<u>(7,186)</u>	<u>(7,957)</u>
Operating profit		138	1,192
Finance income	4	<u>29</u>	<u>7</u>
Profit before tax		167	1,199
Income tax expense	6	<u>(45)</u>	<u>(232)</u>
Profit for the year being total comprehensive income		<u>122</u>	<u>967</u>

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.

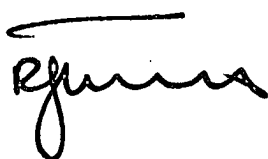
The notes on pages 14 to 24 form part of these financial statements.

Statement of Financial Position

AT 31 DECEMBER 2018

	Notes	£000	31 December 2018 £000	£000	31 December 2017 £000
Non-current assets					
Property, plant and equipment	7	139		238	
Deferred tax assets	8	<u>24</u>		<u>18</u>	
Total non-current assets			163		256
Current assets					
Trade and other receivables	9	877		664	
Cash and cash equivalents		<u>950</u>		<u>1,059</u>	
Total current assets			<u>1,827</u>		<u>1,723</u>
Total assets			<u>1,990</u>		<u>1,979</u>
Current liabilities					
Trade and other payables	10	931		977	
Tax liabilities		<u>38</u>		<u>103</u>	
Total current liabilities			<u>969</u>		<u>1,080</u>
Total liabilities			<u>969</u>		<u>1,080</u>
Equity – attributable to equity holders of the Company					
Share capital	11	-		-	
Retained earnings	11	<u>1,021</u>		<u>899</u>	
Total equity			<u>1,021</u>		<u>899</u>
Total equity and liabilities			<u>1,990</u>		<u>1,979</u>

These accounts were approved by the Board of Directors on **27** September 2019 and signed on its behalf by:



RJ Twigg
Director

Company registration number: 04152278

The notes on pages 14 to 24 form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	-	899	899
Total income for the year	-	122	122
Dividend paid	-	-	-
Balance at 31 December 2018	-	1,021	1,021
Balance at 1 January 2017	-	931	931
Total income for the year	-	968	968
Dividend paid	-	(1,000)	(1,000)
Balance at 31 December 2017	-	899	899

The notes on pages 14 to 24 form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 2018 £000	Year ended 2017 £000
Cash flows from operating activities			
Profit for the year		122	968
Adjustments for:			
Depreciation	7	99	99
Finance income	4	(29)	(7)
Tax expense	6	45	231
Operating profit before changes in working capital		237	1,291
(Increase)/Decrease in trade receivables		(231)	485
Decrease/(Increase) in other receivables and prepayments		18	(18)
(Decrease) in trade and other payables		(46)	(239)
Cash (outflow)/inflow from operations		(22)	1,519
Tax paid		(116)	(286)
Net cash (outflow)/inflow from operating activities		(138)	1,233
Cash flows from investing activities			
Interest received	4	29	7
Purchases of property, plant and equipment	7	-	(130)
Net cash inflow/(outflow) from investing activities		29	(123)
Cash flows from financing activities			
Dividend paid		-	(1,000)
Net cash outflow from financing activities		-	(1,000)
Net (decrease) / increase in cash and cash equivalents		(109)	109
Cash and cash equivalents at 1 January		1,059	951
Cash and cash equivalents at 31 December		950	1,059

The notes on pages 14 to 24 form part of these Financial Statements.

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 2018, and those parts of the Companies Act 2006 applicable to Companies reporting under IFRS.

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

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- Amendments to IFRS 12 Disclosures of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures as part of the Annual Improvements to IFRS Standards 2014 – 2016 cycle
- Consequential amendments to existing accounting standards as a result of adopting IFRS 9 and IFRS 15.

A number of new standards at 31 December 2018 have been endorsed by the EU but were not effective and have therefore not been applied in preparing these financial statements. Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Company's financial statements in the period of initial application.

IFRS 16 Leases

The new leasing standard, IFRS 16, will be effective from 1 January 2019 and will have a significant effect on various classifications within the Company's income statement and balance sheet, as the company leases a large number of the premises in which it trades. Under the new standard a lessee will recognise, in its Statement of Financial Position, a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The lease expense within the Income Statement will also be affected and, whilst the total charge will remain the same over the lease period, the cost recognised in the Income Statement in earlier years will be higher. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

As part of the 2019 budgeting process, the Company has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements. The actual impacts of adopting the standard on 1 January 2019 may change because:

- The Company is in the process of finalising the testing and assessment of the controls over collection of all the necessary information in relation to lease contracts, required for the application of IFRS 16;
- The Company is still refining its impact assessment calculations specifically in relation to the judgment around lease extensions, renewal and terminations and the determination of the appropriate rate to discount the lease payment; and
- The new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

Subject to the above, the total estimated transition adjustment at 1 January 2019 is expected to be as follows:

- Recognition of a right of use asset and lease liability in the region of £0.5m on the balance sheet
- the impact to profit before tax in the region of £0.1m for the year to 31 December 2019. However EBITDA for the same period is expected to increase by around £0.5m, as the rent payments move to depreciation and interest in the income statement.

The Company will use the modified retrospective transition method on adoption, so all leases will be assumed to have started on 1 January 2019, which will result in no change to comparative numbers or reserves. The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

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 pounds. The functional currency is pounds sterling.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on page 5. The financial position of the Company, its cash flows, and liquidity position are shown on pages 10 to 13. In addition, the Directors' Report and notes to these financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Directors have assessed the viability of the Company with respect to the Company's current resources and prospects, its risk appetite and the Company's principal risks and uncertainties. In particular the Directors have considered and modelled a number of severe but plausible scenarios, including the impact of a material downturn in the UK housing market caused by Brexit or other political and economic circumstances. The results from such stress testing indicate that the Company would be able to withstand the financial impact and, as a result, the Directors 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 adjusted for deferred income of the Company and is recognised as follows:

- Conveyancing income and remortgage services is recognised on the date of completion of the underlying transaction at which point all performance obligations are considered to have been fulfilled. Invoices are usually payable on completion.

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.

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 other comprehensive income, in which case the associated income tax charge or credit is recognised in other comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

g) Taxation *(continued)*

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

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

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

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

k) Net financing costs

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

2. Expenses and auditor's remuneration

	Year ended 2018 £000	Year ended 2017 £000
Profit after tax is stated after charging the following:		
Depreciation of property, plant and equipment	99	98
Staff costs (see note 5)	3,755	4,341
Rentals payable under operating leases	261	249
Auditor's remuneration and expenses:		
Audit of these financial statements	13	10

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3. Revenue

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

	Products and services transferred at a point in time	Products and services transferred over time	Total	Total
	2018	2018	2018	2017
	£000	£000	£000	£000
Conveyancing fees	6,730	-	6,730	8,230
Other fees and commissions	594	-	594	919
	<u>7,324</u>	<u>-</u>	<u>7,324</u>	<u>9,149</u>

4. Finance income

	Year ended 2018 £000	Year ended 2017 £000
Interest on bank deposits	<u>29</u>	<u>7</u>

5. Staff numbers and costs

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

	Year ended 2018 No.	Year ended 2017 No.
Directors	6	6
Administration	167	194
	<u>173</u>	<u>200</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 2018 £000	Year ended 2017 £000
Wages and salaries	3,355	3,964
Social security costs	271	308
Other pension costs	128	69
	<u>3,754</u>	<u>4,341</u>

Directors' emoluments

	£000	£000
Remuneration as Directors	<u>258</u>	<u>217</u>

Three (2017: three) directors are not directly remunerated by the Company. The notional allocation of cost to the Company for their services was £6,549 (2017: £5,490).

The aggregate of emoluments of the highest paid Director was £135,000 (2017: £108,859).

Contributions to the defined contribution pension schemes of the Directors totalled £7,015 (2017: none) and are included in the above total.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Tax Expense

a) Analysis of expense in the year at 19% (2017: 19.25%)

	Year ended 2018 £000	Year ended 2017 £000
Current tax expense		
Current tax at 19% (2017: 19.25%)	51	239
Adjustment for prior years	(1)	(4)
Total current tax	50	235
Deferred tax expense/ (income)		
Current year	(4)	(6)
Adjustment for prior years	(1)	3
Total deferred tax	(5)	(3)
Tax expense	45	232

b) Factors affecting income tax expense in the year

The tax assessed in the Income Statement is higher than (2017: higher than) the standard UK corporation tax rate because of the following factors:

	Year ended 2018 £000	Year ended 2017 £000
Profit before tax	167	1,199
Tax on profit at UK standard rate of 19% (2017: 19.25%)	32	231
Effects of:		
Adjustment to tax expense in respect of prior periods	(2)	(1)
Expenses not deductible for tax purposes	3	3
Effect of other tax rates / credits	3	(1)
Other	9	-
Tax expense	45	232

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. Property, plant and equipment

	Land and buildings £000	Office equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2018	123	1,070	25	1,218
Additions	-	-	-	-
At 31 December 2018	123	1,070	25	1,218
Accumulated depreciation and impairment				
At 1 January 2018	103	876	1	980
Depreciation charge for the year	3	88	8	99
At 31 December 2018	106	964	9	1,079
Carrying amounts				
At 1 January 2018	20	194	24	238
At 31 December 2018	17	106	16	139
	Land and buildings £000	Office equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2017	123	965	-	1,088
Additions	-	105	25	130
At 31 December 2017	123	1,070	25	1,218
Accumulated depreciation and impairment				
At 1 January 2017	98	783	-	881
Depreciation charge for the year	5	93	1	99
At 31 December 2017	103	876	1	980
Carrying amounts				
At 1 January 2017	25	182	-	207
At 31 December 2017	20	194	24	238

8. Deferred Tax

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

	Accelerated capital allowances 31 Dec 2018 £000	Accelerated capital allowances 31 Dec 2017 £000
At 1 January	18	15
Adjustment in respect of prior periods	1	(3)
Income statement credit	5	6
At 31 December	24	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% (2017: 17%) this is the enacted rate that is expected to apply when the temporary differences reverse.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9. Trade and other receivables

	31 Dec 2018 £000	31 Dec 2017 £000
Trade receivables	232	229
Amounts due from group undertakings	426	243
Prepayments and accrued income	277	236
Bad debt provision	(58)	(44)
	<u>877</u>	<u>664</u>

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

	31 Dec 2018 £000 Gross	31 Dec 2018 £000 Impairment	31 Dec 2017 £000 Gross	31 Dec 2017 £000 Impairment
Not overdue	99	-	185	-
Overdue 120 days plus	133	(58)	44	(44)
	<u>232</u>	<u>(58)</u>	<u>229</u>	<u>(44)</u>

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

	2018 £000	2017 £000
At 1 January	(44)	(34)
Provisions made during the year	(57)	(133)
Provisions released during the year	43	123
At 31 December	<u>(58)</u>	<u>(44)</u>

The Company does not require collateral in respect of trade and other receivables. All overdue amounts have been fully provided.

10. Trade and other payables

	Year ended 2018 £000	Year ended 2017 £000
Trade payables	110	110
Amounts owed to group undertakings	323	306
Other taxes and social security costs	167	272
Accruals and deferred income	246	274
Provision for ongoing litigation claims	75	-
Other payables	10	15
	<u>931</u>	<u>977</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Share capital

	Year ended 2018 £000	Year ended 2017 £000
Allotted, called up and fully paid		
1 (2017:1) 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 2018 £000	Year ended 2017 £000
Capital		
Ordinary shares	-	-
Retained earnings	1,021	899
	<u>1,021</u>	<u>899</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 commensurate 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.

12. Related party transactions

The Company has related party relationships within the Skipton Group as detailed below.

	Ultimate parent undertaking £000	2018 Immediate parent undertaking £000	Other group companies £000	Ultimate parent undertaking £000	2017 Immediate parent undertaking £000	Other group companies £000
a) Sales of goods and services						
Commission receivable	1,758	-	-	2,064	-	-
Total	<u>1,758</u>	<u>-</u>	<u>-</u>	<u>2,064</u>	<u>-</u>	<u>-</u>
b) Purchase of goods and services						
	-	-	1,409	-	-	1,642
Total	<u>-</u>	<u>-</u>	<u>1,409</u>	<u>-</u>	<u>-</u>	<u>1,642</u>
c) Outstanding balances						
Receivables from related parties	426	-	-	243	-	-
Payables to related parties	-	(323)	-	-	(306)	-
Total	<u>426</u>	<u>(323)</u>	<u>-</u>	<u>243</u>	<u>(306)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. 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 £128,717 (2017: £68,808). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

14. Capital Commitments

There were no capital commitments at the year end (2017: £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 2018 £000	Year ended 2017 £000
Amounts falling due:		
Less than one year	117	125
Between one and five years	250	304
More than five years	179	242
	<u>546</u>	<u>671</u>

16. 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:

2018	Carrying amount £000	Contractual cash flows £000	In not more than one month £000	In not more than 3 months £000	In more than 3 months but less than 1 year £000	In more than one year but not more than 5 years £000
Trade and other payables	366	366	366	-	-	-
Amounts owing to group companies	323	323	323	-	-	-
Total	<u>689</u>	<u>689</u>	<u>689</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16. Financial instruments (continued)

2017	Carrying amount £000	Contractual cash flows £000	In not more than one month £000	In not more than 3 months £000	In more than 3 months but less than 1 year £000	In more than one year but not more than 5 years £000
Trade and other payables	399	399	399	-	-	-
Amounts owing to group companies	306	306	306	-	-	-
Total	705	705	705	-	-	-

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 is not exposed to interest rate risk as it has no interest bearing liabilities.

Credit risk

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

The Company's financial assets at the year end were as follows:

	Year ended 2018 £000	Year ended 2017 £000
Cash and cash equivalents	950	1,060
Trade receivables	232	229
Amounts due from group undertakings	426	243
	1,608	1,532

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16. Financial instruments *(continued)*

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

	2018 £000	2017 £000
Individual customers	58	88
Major lenders	174	141
	<u>232</u>	<u>229</u>

The Company uses an allowance matrix to measure the expected credit losses (ECLs) of trade receivables, which comprise a large number of small balances. Loss rates are based on actual credit loss experience over the previous year, and adjusted for the Company's view of current economic conditions over the expected lives of the receivables. However given the low levels of impairment loss experience, the ECL allowance is very small.

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

Capital management

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

17. 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