

PATTISON LANE ESTATE AGENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2007

(Registered Number 4730529)

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PATTISON LANE ESTATE AGENTS LIMITED

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Company's principal activity is estate agency and will continue to be so for the foreseeable future

Pattison Lane Estate Agents Limited is a private limited company registered in England and Wales, registered number 4730529

DIVIDENDS

No interim dividend was declared (2006 £nil) The directors do not propose the payment of a final dividend (2006 £nil)

DIRECTORS

The directors who served during the year were

R S Shipperley
A Gill
M Sharman
S Quinney
N Pattison (resigned 7 December 2007)
P Lane (resigned 7 December 2007)

CREDITOR PAYMENT POLICY

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

At 31 December 2007 creditor days were 60 days (31 December 2006 31 days)

CHARITABLE AND POLITICAL DONATIONS

During the year the company made donations to charities totalling £nil (31 December 2006 £nil) No contributions were made for political purposes

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 handicapped or 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 a 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

PATTISON LANE ESTATE AGENTS LIMITED

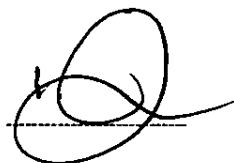
Directors' Report

AUDITORS

A resolution to re-appoint KPMG Audit Plc as auditors of the company will be proposed at the next Annual General Meeting

By order of the board

M Sharman
Director

A handwritten signature in black ink, consisting of a large, stylized 'S' or 'M' shape with a horizontal line extending to the right.

The Old Dairy
Elton Hall Estate
Elton
Peterborough
PE8 6SQ

PATTISON LANE ESTATE AGENTS LIMITED

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.

The financial statements are required by law to present fairly the financial position of the company and the performance for that period. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that its financial statements comply with the Companies Act 1985. They have a 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 PATTISON LANE ESTATE AGENTS LIMITED

We have audited the financial statements of Pattison Lane Estate Agents Limited for the year ended 31 December 2007 which comprise the Income Statement, Balance Sheet, Cash Flow Statement and Related Notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

31st July 2008

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Altus House
One North Fourth Street
Milton Keynes
MK9 1NE

PATTISON LANE ESTATE AGENTS LIMITED

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year ended 31 December 2007 £'000	8 month period ended 31 December 2006 £'000
Revenue	1	1,168	595
Administrative expenses		(1,351)	(579)
(Loss)/profit from operations		(183)	16
Financial Cost		(15)	-
(Loss)/profit before tax		(198)	16
Tax credit	5	59	43
(Loss)/profit for the period		(139)	59
Attributable to			
Equity holders of the parent		(139)	59
		(139)	59

The company started to trade on 26 May 2006

There were no recognised income and expense items in the current period (31 December 2006 £nil) other than those reflected in the above Income Statement

The Income Statement is prepared on an unmodified historical cost basis

The notes on pages 9 to 17 form part of these financial statements

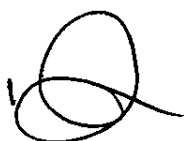
PATTISON LANE ESTATE AGENTS LIMITED

Balance Sheet

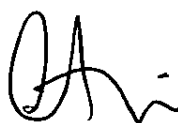
AS AT 31 DECEMBER 2007

	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Current assets					
Trade and other receivables	6	76		99	
Tax receivable		68		43	
Cash and cash equivalents		38		44	
Total current assets			182		186
Non-current assets					
Intangible assets	7	18		173	
Property, plant and equipment	8	38		17	
Total non-current assets			56		190
Total assets			238		376
Current liabilities					
Trade and other payables	9	317		316	
Tax payable		-		-	
Total current liabilities			317		316
Non-current liabilities			-		-
Total liabilities			317		316
Equity					
Share capital	11	1		1	
Reserves					
Retained earnings	12	(80)		59	
			(79)		60
Total equity and liabilities			238		376

These accounts were approved by the board of directors on 16th July 2008 and signed on its behalf by



M Sharman
Director



A Gill
Director

The notes on pages 9 to 17 form part of these accounts

PATTISON LANE ESTATE AGENTS LIMITED

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year ended 31 December 2007 £'000	8 month period ended 31 December 2006 £'000
Cash flows from operating activities			
(Loss)/profit for the period		(139)	59
Adjustments for			
Impairment charge on intangibles		173	
Depreciation charges		11	3
Interest expense		15	-
Tax expense		(59)	(43)
Operating profit before changes in working capital and provisions		<u>1</u>	<u>19</u>
Decrease/(increase) in trade receivables		4	(57)
Decrease in prepayments		19	164
Increase in trade payables		1	316
Cash generated from operations		<u>25</u>	<u>442</u>
Interest paid		(15)	-
Tax received		34	-
Net cash from operating activities		<u>44</u>	<u>442</u>
Cash flows from investing activities			
Acquisition of trade and assets	16	(20)	(388)
Purchases of property, plant and equipment	8	(30)	(11)
Net cash from investing activities		<u>(50)</u>	<u>(399)</u>
Cash flows from financing activities			
Dividends paid		-	-
Proceeds from issue of shares		-	1
Net cash from financing activities		<u>-</u>	<u>1</u>
Net (decrease)/ increase in cash and cash equivalents		(6)	44
Cash and cash equivalents at 1 January / 1 May		<u>44</u>	<u>-</u>
Cash and cash equivalents at 31 December		<u>38</u>	<u>44</u>

PATTISON LANE ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies

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 drawn up under the historic cost convention and in accordance with applicable accounting standards

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 2007

The Directors have adopted IAS 1 *Presentation of Financial Statements - Capital Disclosure* and IFRS 7 *Financial Instruments Disclosure*. The Directors have not adopted IAS 1 *Presentation of Financial Statements (2007)* or IFRS 8, *Operating Segments*, which although endorsed by the EU, are currently not mandatory until 2008

b) Revenue recognition

Revenue, which excludes value added tax, represents total invoiced sales of the company

Interest income is recognised on an accruals basis

Residential, new homes, land sales and auctions income is recognised on the date contracts are exchanged

Mortgage Services income is recognised when a policy goes on risk

c) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet 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

Buildings	-	25 years on a straight line basis, 5 years straight line basis for office re-furbishments
Fixtures & Fittings	-	5 years straight line basis
Office equipment	-	3 to 5 years straight line
Motor Vehicles	-	25% reducing balance – on an annual basis

d) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate

e) Trade and other receivables

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

f) Leases

Costs of operating leases are charged to the Income Statement 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 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 on the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided using the balance sheet 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 balance sheet date

PATTISON LANE ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies (continued)

h) Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

i) Cash and cash equivalents

For the purpose of the cash flow statement, 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 cash flow statement has been prepared using the indirect method

j) Provisions for liabilities and charges

A provision is recognised in the balance sheet 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

k) Net financing costs

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method

2 Expenses and auditors' remuneration

	Year ended 31 December 2007 £'000	8 month period ended 31 December 2008 £'000
Included in (loss)/ profit are the following		
Impairment charge on intangibles	173	-
Depreciation of property, plant and equipment	11	3
Staff costs (see note 3)	779	380
Rentals payable under operating leases	24	7
Auditors' remuneration and expenses		
Audit of these financial statements	5	5
Other services	-	-

3 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the period was as follows

	Year ended 31 December 2007 Number	8 month period ended 31 December 2008 Number
Directors	6	6
Other	30	25
	<u>36</u>	<u>31</u>
The aggregate payroll costs of these persons was as follows	£'000	£'000
Wages and salaries	709	345
Social security costs	70	35
	<u>779</u>	<u>380</u>

PATTISON LANE ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 Staff numbers and costs (continued)

	Year ended 31 December 2007 £'000	8 month period ended 31 December 2006 £'000
Directors Emoluments		
Remuneration as directors	132	83
	<u>132</u>	<u>83</u>

5 Tax credit

A reconciliation of current tax on loss at the standard UK corporation tax rate to the actual current tax credit is as follows

	Year ended 31 December 2007 £'000	8 month period ended 31 December 2006 £'000
a) Analysis of credit in the year at 30%		
Current tax credit		
Current tax at 30%	(59)	(43)
Adjustment for prior years	-	-
Total current tax	<u>(59)</u>	<u>(43)</u>
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Income tax credit	<u>(59)</u>	<u>(43)</u>

b) Factors affecting current tax credit in the period

The credit for the year can be reconciled to the (loss)/profit per the income statement as follows

(Loss)/profit before tax	(198)	16
Tax on (loss)/profit at UK standard rate of 30% (2006 30%)	(59)	5
Effects of		
• Expenses not deductible for tax purposes	-	-
• Income not taxable for tax purposes	-	(48)
Income tax credit	<u>(59)</u>	<u>(43)</u>

PATTISON LANE ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6 Trade and other receivables

	31 December 2007 £'000	31 December 2006 £'000
Trade debtors	56	60
Other debtors	-	14
Prepayments and accrued income	25	28
Bad debt provision	(5)	(3)
	<u>76</u>	<u>99</u>

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

	2007 £'000 Gross	2007 £'000 Impairment	2006 £'000 Gross	2006 £'000 Impairment
Not overdue	14	-	32	-
Overdue 0 – 30 days	28	-	12	-
Overdue 31 – 120 days	5	-	12	-
Overdue 120 days plus	9	(5)	4	(3)
	<u>56</u>	<u>(5)</u>	<u>60</u>	<u>(3)</u>

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

	31 December 2007 £'000	31 December 2006 £'000
At 1 January	(3)	-
Provision made during the year	(12)	(6)
Debtors written off during the year	10	3
At 31 December	<u>(5)</u>	<u>(3)</u>

7 Intangible assets

	Goodwill £'000	Total £'000
Cost		
At 1 January 2007	173	173
Acquired (see note 16)	18	18
At 31 December 2007	<u>191</u>	<u>191</u>
Amortisation and Impairment losses		
At 1 January 2007	-	-
Amortisation charge for the year	-	-
Impairment charge	173	173
At 31 December 2007	<u>173</u>	<u>173</u>
Carrying amounts		
At 1 January 2007	<u>173</u>	<u>173</u>
At 31 December 2007	<u>18</u>	<u>18</u>

PATTISON LANE ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 Intangible assets (continued)

	Goodwill £'000	Total £'000
Cost		
At 1 May 2006	-	-
Acquired	173	173
At 31 December 2006	<u>173</u>	<u>173</u>
Amortisation and impairment losses		
At 1 May 2006	-	-
Amortisation charge for the period	-	-
At 31 December 2006	<u>-</u>	<u>-</u>
Carrying amounts		
At 1 May 2006	-	-
At 31 December 2006	<u>173</u>	<u>173</u>

8 Property, plant and equipment

	Land and Buildings £'000	Office Equipment £'000	Motor Vehicle £'000	Total £'000
Cost				
At 1 January 2007	5	15	-	20
Acquired (see note 16)	-	2	-	2
Additions	2	14	14	30
Disposals	-	-	-	-
At 31 December 2007	<u>7</u>	<u>31</u>	<u>14</u>	<u>52</u>

Accumulated depreciation and impairment

At 1 January 2007	-	3	-	3
Depreciation charge for the year	1	7	3	11
Eliminated on disposals	-	-	-	-
At 31 December 2007	<u>1</u>	<u>10</u>	<u>3</u>	<u>14</u>

Carrying amounts

At 1 January 2007	<u>5</u>	<u>12</u>	<u>-</u>	<u>17</u>
At 31 December 2007	<u>6</u>	<u>21</u>	<u>11</u>	<u>38</u>

	Land and Buildings £'000	Office Equipment £'000	Motor Vehicle £'000	Total £'000
Cost				
At 1 May 2006	-	-	-	-
Additions	5	15	-	20
Disposals	-	-	-	-
At 31 December 2006	<u>5</u>	<u>15</u>	<u>-</u>	<u>20</u>

Accumulated depreciation and impairment

At 1 May 2006	-	-	-	-
Depreciation charge for the period	-	3	-	3
Eliminated on disposals	-	-	-	-
At 31 December 2006	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>

Carrying amounts

At 1 May 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2006	<u>5</u>	<u>12</u>	<u>-</u>	<u>17</u>

PATTISON LANE ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 Trade and other payables

	31 December 2007 £'000	31 December 2006 £'000
Other creditors	39	38
Amounts owed to group undertakings	206	234
Other taxes and social security costs	27	32
Accruals and deferred income	45	12
	<u>317</u>	<u>316</u>

10 Deferred tax

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

	31 December 2007 £'000	31 December 2006 £'000
At 1 January	-	-
Income statement charge/(credit)	-	-
At 31 December	<u>-</u>	<u>-</u>

Deferred tax liabilities

	Accelerated Tax allowances £'000	Total £'000
At 1 January 2007	-	-
Charged to income statement	-	-
At 31 December 2007	<u>-</u>	<u>-</u>

Net deferred tax liability/(asset)

At 1 January 2007	<u>-</u>
At 31 December 2007	<u>-</u>

PATTISON LANE ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 Share Capital

	31 December 2007 Number	31 December 2006 Number
Authorised		
£0 01 Ordinary A shares	75,000	75,000
£0 01 Ordinary B shares	25,000	25,000
	<u>100,000</u>	<u>100,000</u>
Issued and fully paid	£	£
£0 01 Ordinary A shares	750	750
£0 01 Ordinary B shares	250	250
	<u>1,000</u>	<u>1,000</u>

Each shareholder is entitled to the number of votes as equal to the number of shares held by them save that where the A shares constitute more than 50% of the Company's issued equity share capital they shall have such number of votes as represents at least 75% of the votes capable of being cast on the resolution concerned. In all other respects the A and B ordinary shares rank par passu.

On 26 May 2006, the company resolved that its 1,000 £1 ordinary share capital be subdivided into 75,000 A shares of £0 01 each and 25,000 B shares of £0 01 each.

On 26 May 2006 N Pattison and P Lane, then directors of the company, entered into a shareholders' agreement with the immediate parent company Sharman Quinney Holdings Limited. At that date Messrs Pattison and Lane each held 20,000 and 5,000 ordinary "B" 1p shares in Pattison Estate Agents Limited, respectively.

The Shareholders agreement includes an annual option entitling the ordinary "B" shareholders to require Sharman Quinney Holdings Limited to purchase their entire shares at a price to be determined by an independent valuation of the company. This option can be exercised on or after 26 May 2009.

12 Reconciliation of movement in capital and reserves

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2007	1	59	60
Loss for the year	-	(139)	(139)
Balance at 31 December 2007	<u>1</u>	<u>(80)</u>	<u>(80)</u>
	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 May 2006	1	-	1
Profit for the period	-	59	59
Balance at 31 December 2006	<u>1</u>	<u>59</u>	<u>60</u>

PATTISON LANE ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 Employee benefits

Defined contribution pension scheme

The company operates a stakeholder scheme, which is administered by Legal & General. Contributions are charged to the income statement and are included in staff costs.

14 Related Party Transactions

During the year to 31 December 2007, the following transactions were entered into with related parties:

	Notes	Amount		Outstanding Balance	
		31 December 2007 £'000	31 Dec 2006 £'000	31 December 2007 £'000	31 December 2006 £'000
Sale of services					
Connells Residential	(a)	<u>15</u>	<u>-</u>		
Purchase of services					
Connells Residential	(b)	19	-		
Sharman Quinney Holdings Limited	(c)	<u>21</u>	<u>5</u>		
		<u>40</u>	<u>5</u>		

Year-end balances

Receivables from related parties

Connells Residential	-	-
Sharman Quinney Holdings Limited	-	-

Payables to related parties

Connells Residential	33	-
Sharman Quinney Holdings Limited	<u>173</u>	<u>234</u>
	<u>206</u>	<u>234</u>

- (a) The company supplies estate agency services to Connells Residential
 (b) Connells Residential supplies support services to the company
 (c) Sharman Quinney Holdings Limited supplies support services and charges interest on intercompany debt to the company
 All transactions are provided under normal trade credit terms.

15 Capital Commitments

The Company has annual commitments due under operating leases. At the balance sheet date these were payable as follows:

	31 December 2007 £'000	31 December 2006 £'000
On leases expiring		
Less than one year	76	59
Between one and five years	236	236
More than five years	<u>222</u>	<u>357</u>
	<u>524</u>	<u>652</u>

PATTISON LANE ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Acquisitions

On the 9 May 2007 the company acquired goodwill and assets from Peter Lane Estate Agents, summarised as follows

	Book Value £000	Fair Value Adjustment £000	Fair Value £000
Fixed assets	2	-	2
Goodwill	18	-	18
Cash paid	<u>20</u>	<u>-</u>	<u>20</u>

17 Financial Instruments

Financial risks

The principal financial risks to which the company is exposed are liquidity risk, market risk and credit risk. 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 retain full public confidence in the 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, maintaining an appropriate mix between savings and deposit funding balances and through rigorous management control of the growth of the business.

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. These risks are measured and managed at a Group level.

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.

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 spread of shareholders, as well as 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. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

18 Ultimate Parent Undertaking

The company is a 75% owned subsidiary of Sharnham Quinney Holdings Limited. The ultimate parent undertaking is the 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. A copy of the Skipton Building Society annual report and accounts into which the results of this company are consolidated is available from:

The Secretary
Skipton Building Society
The Bailey
Skipton
North Yorkshire
BD23 1DN