

PATTISON LANE ESTATE AGENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2016

(Registered Number 04730529)



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Directors' Report

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

INTRODUCTION AND OVERVIEW

Pattison Lane Estate Agents Limited is a private limited company registered in England and Wales, registered number 04730529.

The principal activity of the Company is the provision of residential estate agency and associated services.

The Company made a profit before tax of £146,000 for the year (2015: £146,000).

DIRECTORS

The Directors who served during the year were:

R S Shipperley
M A Sharman
DC Livesey
RJ Twigg
DK Plumtree
S Quinney (resigned 30 June 2016)

DIVIDENDS

No interim dividend was declared (2015: £nil). The Directors do not propose the payment of a final dividend (2015: £nil).

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.

The company has taken advantage of the small companies' exemptions in presenting this Directors report.

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



9 March 2017

Cumbria House
16 – 20 Hockliffe Street
Leighton Buzzard
Bedfordshire
LU7 1GN

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

The Directors are responsible for preparing the Annual 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 PATTISON LANE ESTATE AGENTS LIMITED

We have audited the financial statements of Pattison Lane Estate Agents Limited for the year ended 31 December 2016 set out on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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

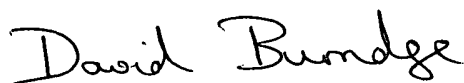
In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' Report:

- 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
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report; or
- we have not received all the information and explanations we require for our audit.



9 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	491	424
Administrative expenses	2	<u>(339)</u>	<u>(269)</u>
Profit from operations		152	155
Finance costs	3	<u>(6)</u>	<u>(9)</u>
Profit before tax		146	146
Taxation	5	<u>(29)</u>	<u>(30)</u>
Profit for the year		<u>117</u>	<u>116</u>

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

There were no recognised income and expense items in the current period (2015: £nil) other than those reflected in the above Statement of Comprehensive Income.

The notes on pages 10 to 19 form part of these financial statements.

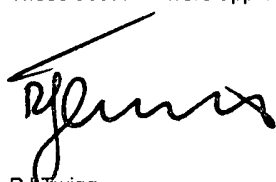
Statement of Financial Position

AT 31 DECEMBER 2016

		2016 £000	31 December 2016 £000	2015 £000	31 December 2015 £000
Notes					
Non-current assets					
Property, plant and equipment	6	7		5	
Deferred tax asset	7	4		6	
Total non-current assets			11		11
Current assets					
Trade and other receivables	8	35		33	
Cash and cash equivalents		121		109	
Total current assets			156		142
Total assets			167		153
Current liabilities					
Trade and other payables	9	249		350	
Tax liabilities		14		16	
Total current liabilities			263		366
Non-current liabilities					
Provisions	10	25		25	
Total non-current liabilities			25		25
Total liabilities			288		391
Equity – attributable to equity holders of the Company					
Share capital	11	1		1	
Retained deficit	11	(122)		(239)	
Total equity			(121)		(238)
Total equity and liabilities			167		153

These accounts were approved by the Board of Directors on

9 March 2017 and signed on its behalf by:



R.J. Twigg
Director

Company registration number: 04730529

The notes on pages 10 to 19 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	(239)	(238)
Total comprehensive income for the year	-	117	117
Balance at 31 December 2016	1	(122)	(121)
Balance at 1 January 2015	1	(355)	(354)
Total comprehensive income for the year	-	116	116
Balance at 31 December 2015	1	(239)	(238)

The notes on pages 10 to 19 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		117	116
Adjustments for:			
Depreciation	6	1	-
Interest expense	3	6	9
Taxation	5	29	30
Operating profit before changes in working capital and provisions		153	155
(Increase) / Decrease in trade receivables		(6)	5
Decrease / (Increase) in prepayments and other receivables		4	(7)
(Decrease) in trade and other payables		(101)	(41)
Cash inflow generated from operations		50	112
Interest paid	3	(6)	(9)
Tax paid		(29)	(21)
Net cash inflow from operating activities		15	82
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(3)	(5)
Net cash outflow from investing activities		(3)	(5)
Cash flows from financing activities			
Dividends paid		-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		12	77
Cash and cash equivalents at 1 January		109	32
Cash and cash equivalents at 31 December		121	109

The notes on pages 10 to 19 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Pattison Lane Estate Agents 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

Both the Company and the Group 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.

The new revenue recognition standard IFRS 15 will be effective for periods beginning on or after 1 January 2018. The new leasing standard, IFRS 16, will be effective from 1 January 2019. The standard will have a significant effect on the Company's income statement and balance sheet as the Company leases and its high street branch will be brought on balance sheet under the new standard. The income statement will also be affected as the profile of the expensing of the lease payments is changed. Currently, the lease expense is recognised evenly over the life of the lease. Under the new standard, while the charge will remain the same over the lease period, the cost recognised in the income statement in earlier years will be higher, with this reducing over the life of the lease.

The impact of the other IFRS and amendments is not expected to be material.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare Group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The Company's business activities are set out in the Directors Report on page 3. The financial position of the Company, its cash flows and liquidity position are presented in these financial statements on pages 6 to 9. In addition, note 14 to the financial statements includes the Company's policies and processes for managing its financial risk management objectives, details of its financial instruments, and its exposure to credit risk and liquidity risk.

As described in the Directors Report on page 3, the Company has reported a profit after tax for the year of £117,000 (2015: £116,000). However, since the Company has net liabilities of £121,000, (2015: £238,000), confirmation has been received from Sharman Quinney Holdings Limited that it will provide such support as Pattison Lane Estate Agents Limited require enabling it to meet its liabilities as and when they fall due for a period of not less than one year from the date of approval of these financial statements.

The Directors have concluded that the combination of these circumstances gives a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in the financial statements.

Currency presentation

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

b) Revenue recognition

Revenue, which excludes value added tax, represents total invoiced sales of the Company. Residential, new homes, land sales and auctions income is recognised on the date contracts are exchanged. Property management income is recognised when cash is received, which reflects the point when income is earned and contractual obligations have been fulfilled.

Revenue on mortgage procurement fees is recognised on completion of the mortgage transaction, when all contractual obligations have been fulfilled. Insurance commission income is recognised upon fulfilment of contractual obligations with a provision for future clawback repayment in the event of early termination by the customer.

c) Property, plant and equipment

Property, plant and equipment are stated in the Statement of Financial Position at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of assets over their estimated useful lives on the following bases:

Land & buildings	-	Lower of 50 years or estimated useful life of premises
Office equipment	-	3 to 5 years

All depreciation is charged on a straight-line basis.

d) Trade and other receivables

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

e) Leases

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

f) Trade and other payables

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

g) Taxation

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

Current tax is the expected tax payable on the 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

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income as incurred.

i) 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued).

j) 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.

k) Net financing costs

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

2. Expenses and Auditor's remuneration

	Year ended 2016 £000	Year ended 2015 £000
Profit after tax is stated after charging:		
Staff costs (see note 4)	253	199
Rentals payable under operating leases	32	26
Auditor's remuneration and expenses:		
Audit of these financial statements	<u>9</u>	<u>4</u>

3. Finance costs

	Year ended 2016 £000	Year ended 2015 £000
Interest payable to group undertakings	<u>6</u>	<u>9</u>

4. Staff numbers and costs

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

	Year ended 2016 No.	Year ended 2015 No.
Directors	5	6
Sales and administration	<u>7</u>	<u>6</u>
	<u>12</u>	<u>12</u>
Wages and salaries	231	182
Social security costs	<u>22</u>	<u>17</u>
	<u>253</u>	<u>199</u>

All of the Directors are remunerated by other Group Companies and do not receive any remuneration from Pattison Lane Estate Agents Limited.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Taxation

	Year ended 2016 £000	Year ended 2015 £000
a) Analysis of expense in the year at 20% (2015: 20.25%)		
Current tax expense		
Current tax at 20% (2015: 20.25%)	29	29
Total current tax	<u>29</u>	<u>29</u>
Deferred tax expense		
Current year	-	1
Total deferred tax	<u>-</u>	<u>1</u>
Income tax expense	<u>29</u>	<u>30</u>

b) Factors affecting current tax expense in the period

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

	Year ended 2016 £000	Year ended 2015 £000
Profit before tax	146	146
Tax on profit at UK standard rate of 20% (2015: 20.25%)	29	29
Effects of:		
Tax rate change	-	1
Income tax expense	<u>29</u>	<u>30</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 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 charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

6. Property, plant and equipment

	Land and Buildings £000	Office Equipment £000	Total £000
Cost			
At 1 January 2016	5	1	6
Additions	3	-	3
At 31 December 2016	<u>8</u>	<u>1</u>	<u>9</u>
Accumulated depreciation and impairment			
At 1 January 2016	-	1	1
Depreciation charge for the year	1	-	1
At 31 December 2016	<u>1</u>	<u>1</u>	<u>2</u>
Carrying amounts			
At 1 January 2016	5	-	5
At 31 December 2016	<u>7</u>	<u>-</u>	<u>7</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Property, plant and equipment (continued)

	Land and Buildings £000	Office Equipment £000	Total £000
Cost			
At 1 January 2015	-	1	1
Additions	5	-	5
At 31 December 2015	5	1	6
Accumulated depreciation and impairment			
At 1 January 2015	-	1	1
Disposals	-	-	-
Depreciation charge for the year	-	-	-
At 31 December 2015	-	1	1
Carrying amounts			
At 1 January 2015	-	-	-
At 31 December 2015	5	-	5

7. Deferred tax

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

	31 December 2016 £000	31 December 2015 £000
At 1 January	6	7
Credited to Income Statement	(2)	(1)
At 31 December	4	6

Deferred tax asset

	Accelerated capital allowances £000
At 1 January 2016	6
Credited to Income Statement	(2)
At 31 December 2016	4

Net deferred tax asset

At 31 December 2016	4
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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%) as this is the enacted rate that is expected to apply when the temporary differences reverse.

8. Trade and other receivables

	31 December 2016 £000	31 December 2015 £000
Trade receivables	27	21
Prepayments and accrued income	10	14
Bad debt provision	(2)	(2)
	35	33

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Trade and other receivables (continued)

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

	2016 £000 Gross	2016 £000 Impairment	2015 £000 Gross	2015 £000 Impairment
Not overdue	8	-	4	-
Overdue 0 – 30 days	15	-	15	-
Overdue 31 – 120 days	2	-	1	(1)
Overdue 120 days plus	2	(2)	1	(1)
	<u>27</u>	<u>(2)</u>	<u>21</u>	<u>(2)</u>

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

	Year ended 2016 £000	Year ended 2015 £000
At 1 January	(2)	(4)
Provision made during the year	(2)	(2)
Receivables written off during the year	2	3
Provision no longer required	-	1
At 31 December	<u>(2)</u>	<u>(2)</u>

9. Trade and other payables

	31 December 2016 £000	31 December 2015 £000
Trade payables	2	2
Amounts owed to group undertakings	200	300
Other taxes and social security costs	14	15
Accruals and deferred income	33	33
	<u>249</u>	<u>350</u>

10. Provisions

	Lease cost of closed branches & dilapidations £000	Total £000
Balance at 1 January 2016	25	25
Provisions used during the year	-	-
Balance at 31 December 2016	<u>25</u>	<u>25</u>
Balance at 1 January 2015	25	25
Provisions used during the year	-	-
Balance at 31 December 2015	<u>25</u>	<u>25</u>

All provisions are classed as non-current.

The dilapidations provision is accrued on the basis of amounts identified at the date of acquisition, less any subsequent expenditure, or where a section 412 notice or schedule of dilapidations has been received from the landlord. Provision is made for properties with non-cancellable leases where the Company no longer utilises the property during the course of their business operation. The provision represents the rent to the end of the lease, less any rental income from subletting the properties.

The provision for the costs of closed branches is expected to reverse over the remaining life of the leases, or the period to the anticipated date of disposal or sooner.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Share capital

	31 December 2016 £	31 December 2015 £
Allotted, issued and fully paid		
95,000 Ordinary A shares of £0.01 each	1	1
5,000 Ordinary B shares of £0.01 each	-	-
	<u>1</u>	<u>1</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 *pari passu*.

There exists a Shareholders' agreement that includes an annual option entitling the ordinary "B" shareholders to require Sharman Quinney Holdings Limited to purchase their shares at a price to be determined by an independent valuation of the Company. This option can now be exercised.

Management of capital

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

	31 December 2016 £000	31 December 2015 £000
Capital		
Ordinary A and B shares	1	1
Accumulated deficit	(122)	(239)
	<u>(121)</u>	<u>(238)</u>

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act, with which it complies.

The capital position is reported to the Board regularly. The capital position is also given due consideration when corporate plans are prepared.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. 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			2015		
	Ultimate parent undertaking £000	Intermediate parent undertaking £000	Immediate parent undertaking £000	Ultimate parent undertaking £000	Intermediate parent undertaking £000	Immediate parent undertaking £000
a) Net interest						
Interest receivable	-	-	-	-	-	-
Interest payable	-	-	(6)	-	-	(9)
Total	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>(9)</u>
b) Sales of goods and services						
Commission receivable	-	15	-	-	1	-
Total	<u>-</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
c) Purchase of goods and services						
	-	(11)	-	-	(9)	-
Total	<u>-</u>	<u>(11)</u>	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>-</u>
d) Outstanding balances						
Receivables from related parties	-	-	-	-	-	-
Payables to related parties	-	-	(200)	-	-	(300)
Total	<u>-</u>	<u>-</u>	<u>(200)</u>	<u>-</u>	<u>-</u>	<u>(300)</u>

There are no provisions in respect of goods and services to Related Parties, either at 31 December 2016 or at 31 December 2015.

13. Capital and operating lease commitments

The Company had no capital commitments at the year end (2015: £nil).

The Company has annual commitments due under operating leases in respect of rental payable on land and buildings. Total commitments under these non-cancellable operating leases are as follows:

	31 December 2016 £000	31 December 2015 £000
<i>Amounts falling due:</i>		
Less than one year	30	32
Between one and five years	16	46
More than five years	-	-
	<u>46</u>	<u>78</u>

14. Financial instruments

Financial risks

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity. The principal financial risks to which the Company is exposed are liquidity risk, market risk and credit risk, these are monitored on a regular basis by management. Each of these is considered below.

Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. Financial instruments *(continued)*

Liquidity risk (continued)

The following are contractual maturities of financial liabilities, including interest payments and excluding 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	35	35	35	-	-	-
Amounts owing to group companies	200	200	200	-	-	-
Total	235	235	235	-	-	-

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 a loan from its parent company; the Company monitors any 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 trade receivables not overdue or over due by up to 90 days. Specific impairment provisions are made for customers who do not have a good payment record with the Company before 90 days. For maximum credit exposure see note 8. 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.

15. Accounting estimates and judgements

The Company makes estimates and assumptions regarding the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

- Accounting policies – certain critical judgments have been made in applying the Company's accounting policies in relation to closed branch and onerous lease provisions (note 10), provision for clawback of insurance commission (note 10), and impairment provisions on trade receivables (note 8).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16. Ultimate parent undertaking

The Company is a 95% owned subsidiary of Sharman Quinney Holdings 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
Cumbria House
16-20 Hockliffe Street
Leighton Buzzard
Bedfordshire
LU7 1GN