

RMS MORTGAGE SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

(Registered Number 05605493)

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Directors' Report

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

INTRODUCTION AND OVERVIEW

RMS Mortgage Services Limited is a private limited company incorporated in England & Wales, registered number 05605493.

On 29 February 2016 95% of the issued share capital of RMS Estate agents Limited, the parent company of RMS Mortgage Services Limited, was acquired by Connells Limited, at which point Connells Limited became the ultimate controlling party. All new mortgage services business was transferred to RMS Estate agents Limited. The Company still collects renewal commissions and will do for the foreseeable future.

DIRECTORS

The Directors who served during the year were:

J Walker
R S Shipperley (appointed 29 February 2016)
D C Livesey (appointed 29 February 2016)
R J Twigg (appointed 29 February 2016)
D K Plumtree (appointed 29 February 2016)
C Rook (resigned 29 February 2016)

DIVIDENDS

During the year the company paid interim ordinary dividends of £400,000 (2015: £nil)

The Directors do not recommend payment of a final dividend (2015: £nil).

DONATIONS

There have been no charitable or political donations in the year (2015: £nil).

EMPLOYEES

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

DISABLED PERSONS

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

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

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

AUDITOR

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

By order of the board

RJ Twigg
Director

24 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 Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RMS MORTGAGE SERVICES LIMITED

We have audited the financial statements of RMS Mortgage Services Limited for the year ended 31 December 2016 as set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 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;
- In our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Other matter – Prior period financial statements

In forming our opinion on the financial statements, which is not modified, we note that the prior period financial statements were not audited. Consequently, International Standards on auditing (UK and Ireland) require the auditor to state that the corresponding figures contained within these financial statements are unaudited.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



27 March 2017

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

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

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 2016 £000	Unaudited Year ended 2015 £000
Revenue	1	252	601
Operating expenses	2	(120)	(441)
Profit before tax		132	160
Tax expense	4	(27)	(32)
Profit for the year		105	128

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 year (2015: £nil) other than those reflected in the above Income Statement.

The notes on pages 10 to 17 form part of these financial statements.

Statement of Financial Position

AT 31 DECEMBER 2016

	Notes	£000	31 December 2016 £000	Unaudited £000	Unaudited 31 December 2015 £000
Non-current assets					
Property, plant and equipment	5	<u>1</u>	1	<u>1</u>	1
Total non-current assets					
			1		1
Current assets					
Trade and other receivables	6	-		184	
Cash and cash equivalents		<u>138</u>		<u>298</u>	
Total current assets			<u>138</u>		<u>482</u>
Total assets			<u>139</u>		<u>483</u>
Current liabilities					
Trade and other payables	7	-		17	
Tax liabilities		<u>16</u>		<u>32</u>	
Total current liabilities			16		49
Non-current liabilities					
Provisions	8	<u>27</u>		<u>43</u>	
Total non-current liabilities			27		43
Total liabilities			<u>43</u>		<u>92</u>
Equity – attributable to equity holders of the company					
Share capital	9	-		-	
Retained earnings	9	<u>96</u>		<u>391</u>	
Total equity			96		391
Total equity and liabilities			<u>139</u>		<u>483</u>

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



RJ Twigg
Director

Company registration number: 05605493

The notes on pages 10 to 17 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	-	391	391
Total comprehensive income for the year	-	105	105
Dividends	-	(400)	(400)
Balance at 31 December 2016	-	96	96
Unaudited			
Balance at 1 January 2015	-	263	263
Total comprehensive income for the year	-	128	128
Balance at 31 December 2015	-	391	391

The notes on pages 10 to 17 form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 2016 £000	Unaudited Year ended 2015 £000
Cash flows from operating activities			
Profit for the year		105	128
Adjustments for:			
Depreciation of property, plant and equipment	5	-	-
Taxation	4	27	32
Operating profit before changes in working capital and provisions		132	160
Decrease in trade and other receivables	6	184	12
Decrease in trade and other payables	7	(17)	(10)
Decrease in provisions	8	(16)	-
Cash inflow from operations		283	162
Tax paid		(43)	(32)
Net cash inflow from operating activities		240	130
Cash flows from investing activities			
Purchase of property, plant and equipment	5	-	(1)
Net cash outflow from investing activities		-	(1)
Cash flows from financing activities			
Dividends paid to parent undertaking		(400)	-
Net cash outflow from financing activities		(400)	-
Net (decrease) / increase in cash and cash equivalents		(160)	129
Cash and cash equivalents at 1 January		298	169
Cash and cash equivalents at 31 December		138	298

The notes on pages 10 to 17 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

RMS Mortgage Services Limited (the "Company") is a company incorporated, registered and domiciled in the UK. Following the transition to International Financial Reporting Standards (IFRSs), the following accounting policies have been applied consistently in these Company's accounts:

a) Basis of accounting

The Company's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and effective as at 31 December 2016, and those parts of the Companies Act 2006 applicable to Companies reporting under IFRS.

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

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

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

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

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

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

Transition to IFRS

The Company has prepared its financial statements in accordance with IFRS for the first time and consequently has applied IFRS 1 First Time Adoption of International Financial Reporting Standards (IFRS 1). There were no adjustments arising out of the transition to IFRS and hence the reconciliations required by IFRS 1 have not been provided.

Measurement convention

These financial statements are prepared on the historical cost basis.

Currency presentation

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

Going concern

The Company's business activities are set out on page 3. The financial position of the Company, its cash flows, and liquidity position are shown on pages 6 to 9. In addition, the Directors Report and notes to these financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has sufficient financial resources and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully in the current economic outlook, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

b) Revenue recognition

Revenue represents total invoiced sales of the Company, excluding value added tax.

Revenue on mortgage procurement fees is recognised on completion of the mortgage transaction, when all contractual obligations have been fulfilled.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

c) Property, plant and equipment

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

Fixtures and fittings	15%
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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 measured initially at their 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 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) 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.

i) Net financing costs

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

j) Critical accounting judgements and estimates

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, provisions for clawback of insurance commission (note 8) and .
- Taxation - significant estimates are required in determining the provision for deferred and corporation tax.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. Expenses and auditor's remuneration

Included in profit are the following:

Auditor's remuneration and expenses:
Audit of these financial statements

Year ended 2016 £000	Unaudited Year ended 2015 £000
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	-	-
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In 2016 the auditor's remuneration of £2,000 (2015: £nil) was borne by RMS Estate Agents Limited

3. 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.	Unaudited Year ended 2015 No.
Administration	4	4
	4	4

The aggregate payroll costs of these persons were as follows:

	Year ended 2016 £000	Unaudited Year ended 2015 £000
Wages and salaries	31	82
Social security costs	-	7
Other pension costs	-	-
	31	89

Directors' emoluments

During the year, all Directors were remunerated by other group companies (2015: £nil).

4. Taxation

a) Analysis of expense in the year at 20% (2015: 20.25%)

Current tax expense

Current tax at 20% (2015: 20.25%)

Total current tax

Year ended 2016 £000	Unaudited Year ended 2015 £000
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	27	32
	27	32

Total deferred tax

	-	-
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Tax expense

	27	32
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b) Factors affecting current tax expense in the year

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

Profit before tax	132	160
Tax on profit at UK standard rate of 20% (2015: 20.25%)	27	32
Tax expense	27	32

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Property, plant and equipment

	Fixtures and Fittings £000
Cost	
At 1 January 2016	2
Additions	-
At 31 December 2016	<u>2</u>
At 1 January 2016	1
Charge for year	-
At 31 December 2016	<u>1</u>
Net book value 31 December 2016	<u>1</u>
	Unaudited Fixtures and Fittings £000
Cost	
At 1 January 2015	1
Additions	1
At 31 December 2015	<u>2</u>
At 1 January 2015	1
Charge for year	-
At 31 December 2015	<u>1</u>
Net book value 31 December 2015	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Trade and other receivables

	31 December 2016 £000	Unaudited 31 December 2015 £000
Amounts due from group companies	-	183
Other debtors	-	1
	<u>-</u>	<u>184</u>

7. Trade and other payables

	31 December 2016 £000	Unaudited 31 December 2015 £000
Due within one year		
Trade payables	-	16
Other taxes and social security costs	-	1
	<u>-</u>	<u>17</u>

8. Provisions

	Insurance Commission Clawback 2016 £000	Unaudited Insurance Commission Clawback 2015 £000
At 1 January	43	-
Released during the year	(16)	43
At 31 December	<u>27</u>	<u>43</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9. Share capital

Allotted, called up and fully paid

1 Ordinary share of £1

	31 December 2016 £000	Unaudited 31 December 2015 £000
	-	-
	-	-

Management of capital

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

	Year ended 2016 £000	Unaudited Year ended 2015 £000
Capital		
Ordinary shares	-	-
Retained earnings	96	391
	<u>96</u>	<u>391</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)*

10. Related party transactions

The Company had no related party relationships within the Skipton Group and no outstanding balances as at 31 December 2016.

The Company has related party relationships within the Skipton Group as detailed below during 2015. All such transactions are priced on an arms-length basis.

2015	Unaudited Parent undertaking £000	Unaudited Other group Companies £000	Unaudited Subsidiary undertakings £000
a) Net interest			
Interest receivable	-	-	-
Interest payable	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
b) Sales of goods and services			
Second Hand Repossession Income	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
c) Purchase of goods and services			
	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
d) Outstanding balances			
Receivables from related parties	-	183	-
Payables to related parties	-	-	-
Total	<u>-</u>	<u>183</u>	<u>-</u>

11. Capital and operating lease commitments

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

The Company has no commitments due under operating leases in respect of rental of land and buildings and motor vehicles (2015: £nil).

12. 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)*

12. Financial instruments (continued)

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.

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.

13. Adoption of new and revised International Financial Reporting Standards

There have been no new accounting policies adopted in the year which have had a significant impact on these accounts.

14. Ultimate parent undertaking

The Company is a 100% 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
Cumbria House
16-20 Hockliffe Street
Leighton Buzzard
Bedfordshire
LU7 1GN