

RMS MORTGAGE SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018

(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 2018.

INTRODUCTION AND OVERVIEW

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

RMS Mortgage Services Limited provides mortgage and ancillary services to participants in the UK residential property market.

DIRECTORS

The Directors who served during the year were:

J Walker
R S Shipperley
D C Livesey
R J Twigg
D K Plumtree

DIVIDENDS

During the year the Company paid interim ordinary dividends of £32,000 (2017: £75,000). The Directors do not recommend payment of a final dividend (2017: £nil).

DONATIONS

There have been 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 they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

AUDITOR

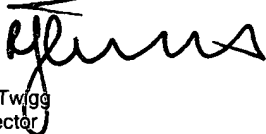
Pursuant to Section 487 of the Companies Act 2006, the auditor was deemed to be reappointed and therefore KPMG LLP continued in office for the financial period 1 January 2018 to 31 December 2018.

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 RMS Mortgage Services Limited) for the year ending 31 December 2019. This was formally approved at the AGM on 29th April 2019.

The Company has taken advantage of the small companies' exemptions in presenting this Directors' Report.

DIRECTORS' REPORT *(continued)*

By order of the board



RJ Twigg
Director

17 May 2019
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 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 RMS MORTGAGE SERVICES LIMITED

Opinion

We have audited the financial statements of RMS Mortgage Services 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 changes in equity, the statement of cash flows, 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 recognition of provisions and related disclosures and 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 RMS MORTGAGE SERVICES 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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.

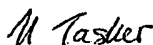
Auditor's responsibilities

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
21 May 2019

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 2018 £000	Year ended 2017 £000
Revenue	1, 3	52	23
Operating expenses	2	(1)	(8)
Profit before tax		51	15
Tax expense	5	(9)	(3)
Profit for the year		42	12

There were no recognised income and expense items in the current year (2017: £nil) other than those reflected above.

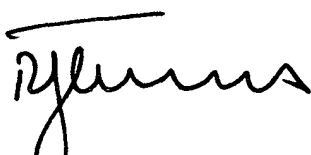
The notes on pages 12 to 19 form part of these financial statements.

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	6	-		1	
Total non-current assets					1
Current assets					
Trade and other receivables	7	31		26	
Cash and cash equivalents		29		44	
Total current assets			60		70
Total assets			60		71
Current liabilities					
Tax liabilities		8		-	
Provisions	8	9		-	
Total current liabilities			17		-
Non-current liabilities					
Provisions	8	-		38	
Total non-current liabilities					38
Total liabilities			17		38
Equity – attributable to equity holders of the Company					
Share capital	9	-		-	
Retained earnings	9	43		33	
Total equity			43		33
Total equity and liabilities			60		71

These accounts were approved by the board of directors on 17 May 2019 and signed on its behalf by:


R. Twigg
Director

Company registration number: 05605493

The notes on pages 12 to 19 form part of these accounts.

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	-	33	33
Total comprehensive income for the year	-	42	42
Dividends	-	(32)	(32)
Balance at 31 December 2018	-	43	43
Balance at 1 January 2017	-	96	96
Total comprehensive income for the year	-	12	12
Dividends	-	(75)	(75)
Balance at 31 December 2017	-	33	33

The notes on pages 12 to 19 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		42	12
Adjustments for:			
Taxation	5	9	3
Operating profit before changes in working capital and provisions		51	15
(Increase)/decrease in trade and other receivables	7	(4)	(26)
(Increase)/decrease in intercompany receivables	7	(1)	-
Increase/(decrease) in provisions	8	(29)	11
Cash inflow from operations		17	-
Tax paid		-	(19)
Net cash inflows/(outflows) from operating activities		17	(19)
Net cash flows from investing activities		-	-
Cash flows from financing activities			
Dividends paid to parent undertaking		(32)	(75)
Net cash outflows from financing activities		(32)	(75)
Net decrease in cash and cash equivalents		(15)	(94)
Cash and cash equivalents at 1 January		44	138
Cash and cash equivalents at 31 December		29	44

The notes on pages 12 to 19 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. 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 2018, and those parts of the Companies Act 2006 applicable to Companies reporting under IFRS.

The Company adopted during the year the following 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; and
- 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. These standards are not expected to have a material impact on the financial statements as the Company does not have any lease obligations.

- IFRS 16 Leases – this standard is not expected to have a material impact on the financial statements as the Company does not have any lease obligations.
- IFRIC 23 Uncertainty over tax treatments

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 pounds. The functional currency is pounds sterling.

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 8 to 11. 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 represents the total invoiced sales of the Company, excluding value added tax and is recognised as follows:

- 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)*

1. Accounting policies *(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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All depreciation is charged on a straight-line basis. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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.

f) 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.

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 of 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.

g) 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 and 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.

h) Net financing costs

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

i) 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).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. Expenses and auditor's remuneration

	Year ended 2018 £000	Year ended 2017 £000
Auditor's remuneration and expenses:		
Audit of these financial statements	<u>2</u>	<u>2</u>

In 2018 the auditor's remuneration of £2,000 (2017: £2,000) was borne by RMS Estate Agents Limited.

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 revenues are derived by the Company in the UK.

	Products and services transferred at a point in time 2018 £000	Products and services transferred over time 2018 £000	Total 2018 £000	Total 2017 £000
Income from sale of financial services products	<u>52</u>	<u>-</u>	<u>52</u>	<u>23</u>
	<u>52</u>	<u>-</u>	<u>52</u>	<u>23</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 2018 No.	Year ended 2017 No.
Directors	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 2018 £000	Year ended 2017 £000
Wages and salaries	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Directors' emoluments

There are no directors who are directly remunerated by the Company. The notional allocation of cost to the Company for their services was inconsequential.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Taxation

	Year ended 2018 £000	Year ended 2017 £000
a) Analysis of expense in the year at 19% (2017: 19.25%)		
Current tax expense		
Current tax at 19% (2017: 19.25%)	9	3
Total current tax	<u>9</u>	<u>3</u>
Total deferred tax	<u>-</u>	<u>-</u>
Tax expense	<u><u>9</u></u>	<u><u>3</u></u>

b) Factors affecting current tax expense in the year

The tax assessed in the Income Statement is equal to (2017: equal to) the standard UK corporation tax rate as follows:

	Year ended 2018 £000	Year ended 2017 £000
Profit before tax	51	15
Tax on profit at UK standard rate of 19% (2017: 19.25%)	9	3
Tax expense	<u><u>9</u></u>	<u><u>3</u></u>

A reduction in the UK corporation tax rate from 19% 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 liability at 31 December 2018 has been calculated based on this rate.

6. Property, plant and equipment

	Fixtures and Fittings £000
Cost	
At 1 January 2018	2
Disposals	<u>(2)</u>
At 31 December 2018	<u>-</u>
Depreciation	
At 1 January 2018	1
Disposals	<u>(1)</u>
At 31 December 2018	<u>-</u>
Net book value 31 December 2018	<u><u>-</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Property, plant and equipment (continued)

	Fixtures and Fittings £000
Cost	
At 1 January 2017	2
Additions	-
At 31 December 2017	<u>2</u>
Depreciation	
At 1 January 2017	1
Charge for year	-
At 31 December 2017	<u>1</u>
Net book value 31 December 2017	<u>1</u>

7. Trade and other receivables

	31 December 2018 £000	31 December 2017 £000
Trade receivables	30	26
Amounts due from group undertakings	1	-
	<u>31</u>	<u>26</u>

8. Provisions

	Insurance Commission Clawback 2018 £000	Insurance Commission Clawback 2017 £000
At 1 January	38	27
Released during the year	(29)	-
Provisions made during the year	-	11
At 31 December	<u>9</u>	<u>38</u>
Due within one year	9	-
Due after one year	-	38
	<u>9</u>	<u>38</u>

Provision for insurance commission clawback is estimated using anticipated cancellation rates of term insurance policies. This provision is based on the clawback period from the sign up date of the term insurance policy. The cancellation rates used in the provision are revisited every quarter.

9. Share capital

	31 December 2018 £000	31 December 2017 £000
Allotted, called up and fully paid		
1 Ordinary share of £1	-	-
	<u>-</u>	<u>-</u>

Management of capital

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

	31 December 2018 £000	31 December 2017 £000
Capital		
Ordinary shares	-	-
Retained earnings	43	33
	<u>43</u>	<u>33</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9. Share capital (continued)

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. The capital position is reported to the Board regularly. The capital position is also given due consideration when corporate plans are prepared. Dividends were paid in the year of £32,000 (2017: £75,000) with the amount paid being £32,000 (2017: £75,000) per share.

10. Related party transactions

2018	Group company £000	Immediate parent company £000
a) Sales of goods and services		
Commissions receivable	-	-
Total	<u>-</u>	<u>-</u>
b) Purchase of goods and services		
Group recharges	4	-
Total	<u>4</u>	<u>-</u>
c) Outstanding balances		
Receivables from related parties	1	-
Total	<u>1</u>	<u>-</u>
d) Dividends		
Dividends paid	-	32
Total	<u>-</u>	<u>32</u>
2017	Group company £000	Immediate parent company £000
a) Sales of goods and services		
Commissions receivable	-	-
Total	<u>-</u>	<u>-</u>
b) Purchase of goods and services		
Group recharges	-	-
Total	<u>-</u>	<u>-</u>
c) Outstanding balances		
Receivables from related parties	-	-
Total	<u>-</u>	<u>-</u>
d) Dividends		
Dividends paid	-	75
Total	<u>-</u>	<u>75</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Capital and operating lease commitments

The Company had no capital commitments at the year end (2017: £nil).

The Company has no commitments due under operating leases in respect of rental of land and buildings and motor vehicles (2017: £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. The Company did not have any financial liabilities as at 31 December 2018 (2017: £nil).

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.

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

	Year ended 2018 £000	Year ended 2017 £000
Cash and cash equivalents	29	44
Trade receivables	30	26
Amounts due from group undertakings	1	-
	<u>60</u>	<u>70</u>

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)*

12. Financial instruments (continued)

There are no significant concentrations of credit risk within the Company. The Company is exposed to credit risk from sales. Income is derived from commission on old products sold 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 main types of customer:

	2018 £000	2017 £000
Other commercial customers	<u>30</u>	<u>26</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 consists only of bank balances, and is held with an institution with an A+ credit rating.

13. Ultimate parent undertaking

The Company is a wholly owned subsidiary of RMS Estate Agents Limited, which is a 95% 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
The Bailey
Skipton
North Yorkshire
BD23 1DN