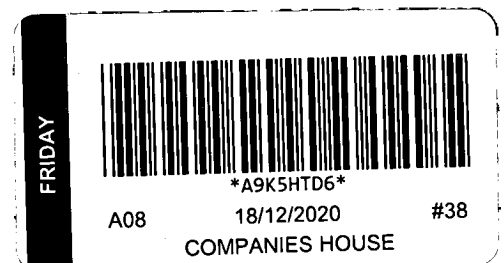


**RMS MORTGAGE SERVICES LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 December 2019

(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 2019.

### 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 £20,000 (2018: £32,000). The Directors do not recommend payment of a final dividend (2018: £nil).

### DONATIONS

There have been no charitable or political donations in the year (2018: £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.

### GOING CONCERN

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 the impact of the Covid-19 pandemic. The Government announcement on 23 March 2020, locking down large parts of the UK, effectively stopped the housing market. Our priority during this time has been the health, safety and well-being of our people and customers. On 12 May 2020 it was announced that lockdown would be eased in England, and branches could re-open.

The Covid-19 pandemic has minimal effect on the cashflows of the Company as its income is derived from renewal commissions for historic mortgage policies. The Company prepared a cashflow forecast and is expected to remain solvent throughout with a positive cash balance and net assets. Therefore the Directors consider the cash position of the Company to be strong enough to withstand any downturn. The Company has no long term debt and therefore there are no covenant tests that it must meet.

As a result of the above and following careful consideration, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

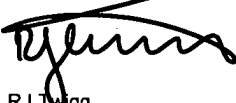
**DIRECTORS' REPORT** *(continued)*

**AUDITOR**

The Company appointed a new external auditor during the year, in line with its ultimate parent, Skipton Building Society. KPMG LLP therefore resigned as the Group's external auditor, and Ernst & Young LLP was formally appointed on 10 May 2019.

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

By order of the board



RJ Togg  
Director

**30** September 2020  
Cumbria House  
16-20 Hockliffe Street  
Leighton Buzzard  
Bedfordshire  
United Kingdom  
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 for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Emphasis of Matter – COVID 19**

We draw attention to Note 1a of the financial statements, which describes the economic and social consequences the company is facing as a result of Covid-19 which is impacting consumer demand, financial markets, commodity prices, personnel available for work and being able to access offices. Our opinion is not modified in respect of this matter.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RMS MORTGAGE SERVICES LIMITED *(continued)*

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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

## Responsibilities of directors

As explained more fully in the directors' responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

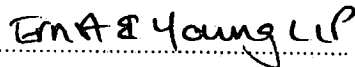
## Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Use of our report

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.



Joanne Mason (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Audit  
Luton  
06 October 2020

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 2019 £000	Year ended 2018 £000
Revenue	3	31	52
Operating expenses	2	-	(1)
<b>Profit before tax</b>		<b>31</b>	<b>51</b>
Tax expense	5	(6)	(9)
<b>Profit for the year</b>		<b>25</b>	<b>42</b>

There were no recognised income and expense items in the current year (2018: £nil) other than those reflected above.

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

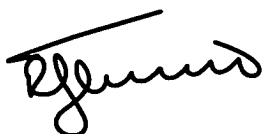


## STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	£000	31 December 2019 £000	£000	31 December 2018 £000
<b>Current assets</b>					
Trade and other receivables	6	-		31	
Cash and cash equivalents		52		29	
<b>Total current assets</b>			52		60
<b>Total assets</b>			<u>52</u>		<u>60</u>
<b>Current liabilities</b>					
Tax liabilities		3		8	
Provisions	7	1		9	
<b>Total current liabilities</b>			4		17
<b>Non-current liabilities</b>					
Provisions	7	-		-	
<b>Total non-current liabilities</b>			-		-
<b>Total liabilities</b>			<u>4</u>		<u>17</u>
<b>Equity – attributable to equity holders of the Company</b>					
Share capital	8	-		-	
Retained earnings	8	48		43	
<b>Total equity</b>			<u>48</u>		<u>43</u>
<b>Total equity and liabilities</b>			<u>52</u>		<u>60</u>

These accounts were approved by the board of directors on **30** September 2020 and signed on its behalf by:



RJ Twigg  
Director

Company registration number: 05605493

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

RMS Mortgage Services Limited  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
31 December 2019

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	-	43	43
Total comprehensive income for the year	-	25	25
Dividends	-	(20)	(20)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>48</b>	<b>48</b>
Balance at 1 January 2018	-	33	33
Total comprehensive income for the year	-	42	42
Dividends	-	(32)	(32)
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>43</b>	<b>43</b>

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

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 2019 £000	Year ended 2018 £000
<b>Cash flows from operating activities</b>			
Profit for the year		25	42
Adjustments for:			
Taxation	5	6	9
<b>Operating profit before changes in working capital and provisions</b>		<b>31</b>	<b>51</b>
Decrease/(Increase) in trade and other receivables	6	30	(4)
Decrease/(Increase) in intercompany receivables	6	1	(1)
(Decrease) in provisions	7	(8)	(29)
<b>Net Cash inflows from operating activities</b>		<b>54</b>	<b>17</b>
Tax paid		(11)	-
<b>Net cash inflows from operating activities</b>		<b>43</b>	<b>17</b>
<b>Net cash flows from investing activities</b>			-
<b>Cash flows from financing activities</b>			
Dividends paid to parent undertaking		(20)	(32)
<b>Net cash outflows from financing activities</b>		<b>(20)</b>	<b>(32)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>23</b>	<b>(15)</b>
Cash and cash equivalents at 1 January		29	44
<b>Cash and cash equivalents at 31 December</b>		<b>52</b>	<b>29</b>

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 2019, and those parts of the Companies Act 2006 applicable to Companies reporting under IFRS.

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

- IFRS 16 Leases
- IFRIC 23 Uncertainty over income tax treatments
- Plan amendment, curtailment or settlement (amendments to IAS 19)

There are no new standards at 31 December 2019 that have been endorsed by the EU but not yet effective.

#### 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 the impact of the Covid-19 pandemic. The Government announcement on 23 March 2020, locking down large parts of the UK, effectively stopped the housing market. Our priority during this time has been the health, safety and well-being of our people and customers. On 12 May 2020 it was announced that lockdown would be eased in England, and branches could re-open.

The Covid-19 pandemic has minimal effect on the cashflows of the Company as its income is derived from renewal commissions for historic mortgage policies. The Company prepared a cashflow forecast and is expected to remain solvent throughout with a positive cash balance and net assets. Therefore the Directors consider the cash position of the Company to be strong enough to withstand any downturn. The Company has no long term debt and therefore there are no covenant tests that it must meet.

As a result of the above and following careful consideration, 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) Trade and other receivables

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

#### d) Trade and other payables

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

#### e) 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.

#### f) 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.

The Company recognises an allowance for expected credit losses (ECLs). The Company takes a simplified approach and recognises a loss allowance based on lifetime ECLs at each reporting date. The Company uses a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment. This is applied to third party and intercompany receivables and cash balances.

#### g) Net financing costs

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

#### h) 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 7).

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 1. Expenses and auditor's remuneration

	Year ended 2019 £000	Year ended 2018 £000
Auditor's remuneration and expenses:		
Audit of these financial statements	<u>2</u>	<u>2</u>

In 2019 the auditor's remuneration of £2,000 (2018: £2,000) was borne by RMS Estate Agents Limited.

### 2. 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 2019 £000	Total 2019 £000
Income from sale of financial services products	<u>31</u>	<u>31</u>
	<u>31</u>	<u>31</u>

	Products and services transferred at a point in time 2018 £000	Total 2018 £000
Income from sale of financial services products	<u>52</u>	<u>52</u>
	<u>52</u>	<u>52</u>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 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 2019 No.	Year ended 2018 No.
Directors	5	5
	<u>5</u>	<u>5</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 2019 £000	Year ended 2018 £000
Wages and salaries	-	-
	<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

### 5. Taxation

	Year ended 2019 £000	Year ended 2018 £000
<b>a) Analysis of expense in the year at 19% (2018: 19%)</b>		
<b>Current tax expense</b>		
Current tax at 19% (2018: 19%)	6	9
<b>Total current tax</b>	<u>6</u>	<u>9</u>
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Tax expense</b>	<u>6</u>	<u>9</u>

### b) Factors affecting current tax expense in the year

The tax assessed in the Income Statement is equal to (2018: equal to) the standard UK corporation tax rate as follows:

	Year ended 2019 £000	Year ended 2018 £000
Profit before tax	31	51
Tax on profit at UK standard rate of 19% (2018: 19%)	6	9
<b>Tax expense</b>	<u>6</u>	<u>9</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 2019 has been calculated based on this rate.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 6. Trade and other receivables

	31 December 2019 £000	31 December 2018 £000
Trade receivables	-	30
Amounts due from group undertakings	-	1
	<u>-</u>	<u>31</u>

### 7. Provisions

	Insurance Commission Clawback 2019 £000	Insurance Commission Clawback 2018 £000
At 1 January	9	38
Released during the year	(8)	(29)
Provisions made during the year	-	-
<b>At 31 December</b>	<u><b>1</b></u>	<u><b>9</b></u>
Due within one year	1	9
Due after one year	-	-
	<u><b>1</b></u>	<u><b>9</b></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.

### 8. Share capital

	31 December 2019 £000	31 December 2018 £000
<b>Authorised, called up and fully paid</b>		
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 2019 £000	31 December 2018 £000
<b>Capital</b>		
Ordinary shares	-	-
Retained earnings	<u>48</u>	<u>43</u>
	<u><b>48</b></u>	<u><b>43</b></u>

The Company's objectives when managing capital are:

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

The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act, with which it complies. 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 £20,000 (2018: £32,000) with the amount paid being £20,000 (2018: £32,000) per share.



## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 9. Related party transactions

2019	Group company £000	Immediate parent company £000
<b>a) Sales of goods and services</b>		
Commissions receivable	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>b) Purchase of goods and services</b>		
Group recharges	11	-
<b>Total</b>	<b>11</b>	<b>-</b>
<b>c) Outstanding balances</b>		
Receivables from related parties	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>d) Dividends</b>		
Dividends paid	-	20
<b>Total</b>	<b>-</b>	<b>20</b>
<b>2018</b>	<b>Group company £000</b>	<b>Immediate parent company £000</b>
<b>a) Sales of goods and services</b>		
Commissions receivable	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>b) Purchase of goods and services</b>		
Group recharges	4	-
<b>Total</b>	<b>4</b>	<b>-</b>
<b>c) Outstanding balances</b>		
Receivables from related parties	1	-
<b>Total</b>	<b>1</b>	<b>-</b>
<b>d) Dividends</b>		
Dividends paid	-	32
<b>Total</b>	<b>-</b>	<b>32</b>

### 10. Capital commitments

The Company had no capital commitments at the year end (2018: £nil).

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 11. 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 2019 (2018: £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 2019 £000	Year ended 2018 £000
Cash and cash equivalents	52	29
Trade receivables	-	30
Amounts due from group undertakings	-	1
	<u>52</u>	<u>60</u>

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

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:

	2019 £000	2018 £000
Commercial customers	<u>-</u>	<u>30</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.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 12. Post balance sheet events

The World Health Organisation (WHO) declared a pandemic as a result of the Covid-19 outbreak. The UK Government announcement on 23 March 2020, locking down large parts of the UK, effectively stopped the housing market for two months. However, as the Company only collects historic mortgage services renewals income it has been largely unaffected by the Covid-19 pandemic.

The Directors consider the Covid-19 pandemic to be a non-adjusting event, and it will not have a material impact on the Company's turnover and results for the year ending 31 December 2020.

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