GASCOIGNE HALMAN GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS

Year Ended 31 December 2018

(Registered Number 09796165)

Contents

Directors' Report

The Directors present their annual report and the audited Financial Statements for the year ended 31 December 2018.

INTRODUCTION AND OVERVIEW

Gascoigne Halman Group Limited is a private limited company incorporated in England & Wales, registered number 09796165.

The principal activity of the Company is a holding company.

For the year ended 31 December 2018, the Company made a profit before tax of £747,000 (2017: £205,000).

DIRECTORS

The Directors who served during the year and up to the date of this report were:

RS Shipperley
DC Livesey
DK Plumtree
RJ Twigg
ML Forrest (resigned 27 March 2019)
PJ Higham
JF Halman

DIVIDENDS

During the year the Company declared an interim dividend of £1,500,000 (2017:£1,350,000). The Directors do not recommend payment of a final dividend (2017: £nil).

DISCLOSURE OF INFORMATION TO AUDITOR

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

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, on 24th April 2019 EY LLP was appointed as auditor for the Skipton Group (which includes Gascoigne Halman Group Limited) for the year ending 31 December 2019.

The Company has taken advantage of the small companies' exemptions in presenting this directors' report.

By order of the board

RJ Twigg
Director

6 September 2019

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

Strategic Report

BUSINESS REVIEW

Objectives and strategy of the Company and the Group

Gascoigne Halman Group Limited is the holding company of Gascoigne Halman (Holdings) Limited, which in turn owns Gascoigne Halman Limited, and Gascoigne Halman Private Finance Limited, a group of companies which provide estate agency, lettings, conveyancing and ancillary services to participants in the UK residential property market. The objectives of the Group are to maximise the long term value and revenue for its shareholders and to maintain the delivery of high quality and flexible service required to meet the various demands of its customers.

Operational performance and key performance indicators

Company

The results of the Company for the year show a profit for the year of £747,000 (2017: £205,000). Gascoigne Halman Group Limited is a holding company, with 100% interests in each of the following subsidiaries:

- Gascoigne Halman (Holdings) Limited (a holding company);
- Gascoigne Halman Limited; and
- Gascoigne Halman Private Finance Limited.

Group

Although Gascoigne Halman enjoyed another successful year its performance mirrored that of the UK housing market generally with year on year results below those of 2017. EBITDA for the year was £1,924,000 on a turnover of £9,344,000. This return on turnover is significantly higher than the industry average and a positive indication of the company's effectiveness in the market place.

House sale instructions for the year were 5% down on the corresponding period although house sale exchanges rose by 5%. This was assisted by an especially strong performance by our new homes division which showed 118% growth during the course of the year (2017: 19%).

Our average fee was marginally down on the corresponding period in line with our slight reduction in average price to £341,186 (2017: £353,684). As we have moved into 2019 the market remains subdued whilst the uncertainty about the future of the UK remains. At some stage a political resolution will be reached and only then will we see an upturn in levels of activity.

Conveyancing was sold to a greater number of vendors and purchasers during 2018 and our income showed a 27% increase year on year.

Mortgage Department income showed a 7% reduction in the 12-month period but our pipeline of mortgage business at the year-end has responded to the introduction of our new Mortgage Director and shows an increase.

Our biggest barometer of future prosperity remains our Sales pipeline of anticipated fees and at the end of 2018 this was £1.74m a 4% reduction on the corresponding period, which in the light of the low levels of activity provides for us some satisfaction.

Our other significant income stream is our Lettings income which shows 6% income growth compared to 2017.

Towards the end of the year Gascoigne Halman completed the acquisition of the lettings book and two estate agency offices of Rowcliffes in Glossop and Chapel-en-le-Frith.

The Board recognises that there will be challenges in 2019 but the Company remains strong and well placed in the markets in which it operates. We will continue to invest in our people to retain our image and reputation and as a consequence we are confident we are well placed to see a return to profit growth just as soon as the market returns.

Strategic Report *(continued)*

Operational review of trading subsidiaries

	Year ended 31 Dec 2018 £000	Year ended 31 Dec 2017 £000	Change %
Total fees and commissions	9,344	9,676	3%
EBITDA	1,924	2,271	-15%
Profit before tax	1,714	2,211	-22%
Growth in house instructions	-5%	-2%	
Growth in house exchanges	+5%	-4%	
Growth in lettings occupied units	-4%	+4%	

Risks and uncertainties

The company's objective is to appropriately manage all the risks that arise from its activities. Connells Limited, the immediate parent company and Skipton Building Society, the ultimate parent undertaking, have a formal structure for managing risks throughout the group, which applies to all subsidiaries.

This has three elements:

- The Company's risk appetite is documented in detailed policy risk statements, which are reviewed and approved annually by the Board.
- The primary responsibility for managing risk and ensuring appropriate controls are in place lies with the Company's management. Connells Limited and Skipton Building Society, through their risk and compliance functions provides monitoring and oversight on behalf of the Society's Board.
- The Board Audit Committee of Skipton Building Society oversees the effectiveness of the risk management framework and the control environment through Skipton Group's Internal Audit function, whose reports are also provided to the Company's Board.

In common with other estate agencies, the Company is highly operationally geared. Performance is affected by transactions volumes in the UK residential housing market. In the short term, many costs are fixed and so a fall in income has an impact on profits and cash flows. Therefore the Company's policy is to retain sufficient cash to ensure that any future deterioration in trading can be funded without recourse to external borrowing.

The UK housing market is currently being assisted by the continuing low interest rate environment and the availability of attractive mortgage rates from lenders. While the outlook is for low interest rates to continue in the short term, a period of interest rate increases may have a negative impact on the market.

Estate Agency is also a people business and as such is reliant on the ability, training, skills and motivation of its staff. A key risk to the business is the possibility of losing staff, particularly amongst senior managers and directors. In order to combat this, the Board ensures that service agreements, remuneration packages, and human resources policies are adequate to attract, motivate and retain key employees.

By order of the board

RJ Twigg
Director

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6 September 2019

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

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

The directors are responsible for preparing the Strategic Report, 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 GASCOIGNE HALMAN GROUP LIMITED

Opinion

We have audited the financial statements of Gascoigne Halman Group 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 GASCOIGNE HALMAN GROUP 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, 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.

M Tasker

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
12 September 2019

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 Dec 2018 £000	Year ended 31 Dec 2017 £000
Revenue	1	-	-
Operating expenses		(753)	(1,145)
Operating loss		**(753)**	**(1,145)**
Finance income		1,500	1,350
Profit before tax		**747**	**205**
Tax expense	4	-	-
Profit for the year being total comprehensive income		**747**	**205**

There were no recognised income and expense items in the year other than those reflected in the above Income Statement.

The notes on pages 13 to 18 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					
Investments	5	9,000		9,000	
Total non-current assets			9,000		9,000
Current assets					
Trade and other receivables	6	1,280			
Total current assets			1,280		1,280
Total assets			**10,280**		**10,280**
Current liabilities					
Trade and other payables	7	-		497	
Total current liabilities			-		497
Total liabilities			-		497
Equity – attributable to equity holders of the company					
Share capital	8	32		20	
Merger reserve	8	3,000		3,000	
Share premium	8	2,970		1,732	
Retained earnings	8	4,278		5,031	
Total equity			10,280		9,783
Total equity and liabilities			**10,280**		**10,280**

These accounts were approved by the Board of Directors on 6 September 2019 and signed on its behalf by:

RJ Twigg
Director

Company registration number: 09796165

The notes on pages 13 to 18 form part of these accounts.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £000	Merger reserve £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	20	3,000	1,732	5,031	9,783
Shares issued	12	-	1,238	-	1,250
Profit for the year	-	-	-	747	747
Dividends to shareholders	-	-	-	(1,500)	(1,500)
Balance at 31 December 2018	**32**	**3,000**	**2,970**	**4,278**	**10,280**

	Share capital £000	Merger reserve £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	2	3,000	6,145	31	9,178
Shares issued	18	-	1,732	-	1,750
Profit for the year	-	-	-	205	205
Capital reduction	-	-	(6,145)	6,145	-
Dividends to shareholders	-	-	-	(1,350)	(1,350)
Balance at 31 December 2017	**20**	**3,000**	**1,732**	**5,031**	**9,783**

The notes on pages 13 to 18 form part of these accounts.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 Dec 2018 £000	Year ended 31 Dec 2017 £000
Cash flows from operating activities			
Profit for the year		747	205
Adjustments for:			
Finance income		(1,500)	(1,350)
Operating (loss) before changes in working capital		**(753)**	**(1,145)**
Decrease in trade and other receivables	6	-	467
(Decrease) in trade and other payables	7	(497)	(1,072)
Net cash outflow from operating activities		(1,250)	(1,750)
Cash flows from investing activities			
Dividends received from subsidiary undertaking		1,250	1,750
Net cash inflow from investing activities		1,250	1,750
Cash flows from financing activities			
Proceeds from issue of shares		1,250	1,750
Dividends paid		(1,500)	(1,350)
Net cash (outflow)/ inflow from financing activities		(250)	400
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

The notes on pages 13 to 18 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Gascoigne Halman Group Limited (the "Company") is a company incorporated and domiciled in the UK. The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the company accounts:

a) Basis of accounting

The Financial Statements are presented in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as adopted by the EU and effective at 31 December 2018.

The following new IFRS standards were adopted during the year.

- IFRS 15 Revenue from Contracts with Customers;
- IFRS 9 Financial Instruments; and

The adoption of these standards has not had a material impact on the financial statements.

Disclosed below are the new IFRS and amendments which 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:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over tax treatments

These new standards and amendments are not expected to have a material impact on the financial statements.

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

Measurement convention

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. 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 9 to 12. In addition, the 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) Trade and other receivables

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

c) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

d) 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.

e) 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 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.

2. Expenses and auditor's remuneration

	Year ended 31 Dec 2018 £000	**Year ended 31 Dec 2017 £000**
Profit before tax is stated after charging the following:		
Auditor's remuneration and expenses:		
Audit of these financial statements	-	-

In 2018 the auditor's remuneration of £2,000 (2017: £2,000) was borne by Gascoigne Halman Limited

3. Staff numbers and costs

	Year ended 31 Dec 2018 No	**Year ended 31 Dec 2017 No**
Directors	7	7
	7	7

In the current year, all Directors are remunerated by other group companies, and do not receive any remuneration from Gascoigne Halman Group Limited.

All (2017: all) of the directors are remunerated by other group entities. Their services to the Company are too inconsequential to attract a notional charge.

4. Tax expense

a) Analysis of expense in the year

	Year ended 31 Dec 2018 £000	**Year ended 31 Dec 2017 £000**
Current tax charge	-	-
Tax expense	-	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4. Tax expense (continued)

b) Factors affecting current tax expense in the year

The tax expense in the Income Statement is lower (2017: lower) than the standard UK corporation tax rate because of the following factors:

	Year ended 31 Dec 2018 £000	Year ended 31 Dec 2017 £000
Profit before tax	747	205
Tax on profit at UK standard rate of 19.00% (2017: 19.25%)	**142**	**39**
Effect of		
Expenses not deductible	143	220
Income not taxable	(285)	(259)
Tax expense	-	-

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.

5. Investments

At 31 December 2018, the Company owns equity share capital in its trading subsidiary undertakings, which are incorporated in the UK, as follows:

Name of subsidiary undertaking	Nature of business	Proportion of ordinary shares held 2018 and 2017
Gascoigne Halman (Holdings) Limited[a]	Holding Company	100%
Gascoigne Halman Limited[b]	Residential estate agency	100%[1]
Gascoigne Halman Private Finance Limited[b]	Residential estate agency	100%[1]

[1] Held indirectly through Gascoigne Halman (Holdings) Limited

Registered Office
[a] Cumbria House, 16-20 Hockliffe Street, Leighton Buzzard, Bedfordshire, LU7 1GN
[b] 42 Alderley Road, Wilmslow, Cheshire, SK9 1NY

6. Trade and other receivables	31 Dec 2018 £000	31 Dec 2017 £000
Amounts owed by immediate parent undertaking	1,280	1,280

7. Trade and other payables	31 Dec 2018 £000	31 Dec 2017 £000
Accruals and deferred income	-	497

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Share capital	**31 Dec 2018 £000**	**31 Dec 2017 £000**
Allotted, called up and fully paid		
77,250 (2017: 75,000) £0.01 Ordinary A shares	1	1
22,750 (2017: 25,000) £0.01 Ordinary B shares	-	-
3,149,500 (2017: 1,899,500) £0.01 Ordinary C shares	31	19
	32	**20**

Connells Limited have granted the owners of the 'B' Ordinary shares (some of whom are directors) a put option where the price to be paid is dependent on the profitability of Gascoigne Halman (Holdings) Limited and its subsidiaries.

The A Ordinary Shares, B Ordinary Shares and C Ordinary Shares rank equally in all respects save as disclosed below:

- On a sale or return of capital, the proceeds will be distributed on a pari passu basis between the holders of the A Ordinary Shares and B Ordinary Shares on a pro-rata basis based on the holdings of A Ordinary Shares and B Ordinary Shares. Under these circumstances the C Ordinary Shares have no entitlement.
- Each A Ordinary Share and B Ordinary Share will entitle its holder to receive notice of, attend and vote at any general meeting of the Company and to receive copies of and to agree any proposed written resolution. The C Ordinary Shares have no similar entitlement.
- The A Ordinary Shares and B Ordinary Shares are entitled to payments of dividends on a pro-rata basis. The C Ordinary Shares are not entitled to dividends.

During the year Connells Limited acquired 2,250 'B' ordinary shares. On acquisition these were converted to 'A' ordinary shares.

On 26 November 2018 1,250,000 Ordinary C shares were issued to Connells Limited in exchange for £1,250,000 cash consideration.

Management of capital

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

	31 Dec 2018 £000	**31 Dec 2017 £000**
Capital		
Ordinary shares	32	20
Merger reserve	3,000	3,000
Share premium	2,970	1,732
Retained earnings	4,278	5,031
	10,280	**9,783**

The Company's objective when managing capital is 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.

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.

9. Related party transactions

The company has an inter-company receivable owing to its immediate parent undertaking of £1,280,000 (2017: £1,280,000).

During the year a dividend of £1,500,000 (2017: £1,350,000) was received from Gascoigne Halman (Holdings) Limited. There was no closing intercompany balance.

10. Capital Commitments

There were no capital commitments at the year end.

The Company has no commitments due under operating leases in the current year.

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 and 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 following are contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

2018	Carrying amount £000	Contractual cash flows £000	In not more than one month £000	In not more than 3 months £000	In more than 3 months but less than 1 year £000	In more than one year but not more than 5 years £000
Trade and other payables	-	-	-	-	-	-
Amounts owing to immediate parent	-	-	-	-	-	-
Total	-	-	-	-	-	-

2017	Carrying amount £000	Contractual cash flows £000	In not more than one month £000	In not more than 3 months £000	In more than 3 months but less than 1 year £000	In more than one year but not more than 5 years £000
Trade and other payables	497	497	-	-	497	-
Amounts owing to immediate parent	-	-	-	-	-	-
Total	497	497	-	-	497	-

There are no differences between the fair values of financial assets and liabilities and their carrying amounts showing in the Statement of Financial Position.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk.

Currency risk

The Company is not exposed to any currency risk as all transactions are denominated in Sterling.

Interest rate risk

The Company has no interest bearing liabilities.

Credit risk

Credit risk is the risk of financial loss to the Company if its subsidiary fails to pay a dividend. Management carefully manages its exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Ultimate parent undertaking

The Company is a 77.25% 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