CONNELLS LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

(Registered Number 03187394)

Contents

Group Directors' Report

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

INTRODUCTION AND OVERVIEW

Connells Limited ("Connells") is a private limited company incorporated in England & Wales with registered number 03187394.

The Connells Group combines residential sales and lettings expertise with a range of consumer and corporate services including land and new homes, mortgage services, conveyancing, corporate lettings, and auctions. The Group operates through many brands, including Connells, Allen & Harris, Bagshaws Residential, Barnard Marcus, Brown & Merry, Fox & Sons, Jones & Chapman, Manners & Harrison, Roger Platt, Shipways, Swetenhams, William H Brown, Sharman Quinney, Burchell Edwards, Peter Alan, Gascoigne Halman and Rook Matthews Sayer. The Group provides home movers with a range of services to manage all aspects of their transaction and aims to provide the best possible service before, during and after their move. At 31 December 2018, Connells and its subsidiaries (the 'Group') trade from 586 (2017: 591) estate agency branches.

Connells Survey & Valuation Limited is one of the top providers of residential survey and valuation services to homebuyers, lenders and other participants in the UK residential property market. This business also offers panel management services, administering surveys and valuations on behalf of clients in addition to carrying out the survey or valuation through its own employed surveyors.

The New Homes Group is a business aimed at the new build sector offering a range of services to house builders and their customers.

The Asset Management Group manages repossessed and other properties on behalf of lenders and other clients such as probate providers.

The Group also has a number of other subsidiaries and joint ventures providing services in areas such as conveyancing, will services, property searches and the provision of energy performance certificates.

An overview of the objectives of the business and the challenges it faces is set out in the Strategic Report, together with the key measures used to monitor the performance of the business.

Details of financial instruments and associated risks are provided in the Group Strategic Report and Note 24 to the Financial Statements.

DIRECTORS

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

RS Shipperley
RJ Twigg
DC Livesey
DJ Cutter
DK Plumtree
GE Picken (Resigned 23 April 2018)
RSDM Ndawula
AJ Burton (Appointed 1 May 2018)

DJ Cutter, RSDM Ndawula, and AJ Burton are also Directors of the ultimate parent undertaking, Skipton Building Society.

DIVIDENDS

During the year the company paid interim ordinary dividends of £54,500,000 (2017: £57,100,000).

The Directors do not propose a final ordinary dividend in respect of the current financial year (2017: £nil).

EMPLOYEES

It is Company and Group policy to provide employees with information concerning their roles and responsibilities and the trading performance of the Company and Group. This policy is to ensure opportunities are available at every level to improve both employees' individual and corporate performance. Directors regularly brief all employees through a series of meetings and newsletters.

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations of £111,000 in 2018 (2017: £136,000).

The Group made no political donations in 2018 (2017: £nil).

Group Directors' Report *(continued)*

EMPLOYEE DEVELOPMENT AND EQUAL OPPORTUNITIES

The Group's approach is to ensure it recruits and promotes the right people regardless of gender, disability, age, sexual orientation or race, and operates 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 assets 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 Group, every reasonable effort is made to enable them to continue their career within the Group.

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, it was recommended that EY LLP be appointed for the Skipton Group (which includes the Connells group) for the year ending 31 December 2019.

As a result, KPMG LLP will not seek reappointment as the Group's auditor for the financial year ending 31 December 2019 and EY LLP will seek appointment at the forthcoming AGM.

By order of the board

DC Livesey
Director

26 February 2019

The Bailey
Skipton
North Yorkshire
BD23 1DN

Group Strategic Report

Objectives and strategy of the Group

The Group's objectives continue to be to maximise the long-term value and revenue streams for its shareholders, to create secure and rewarding employment for its people and to deliver a high quality service to its customers who are participants in the UK residential property market.

The Connells Group aims to deliver sustainable and growing revenues from efficient operations supported by a lean management cost structure, which enables the Group to adapt to market opportunities. Connells recognises that the housing market is cyclical and can vary widely from one location to another. Across the Group, local entrepreneurship is actively encouraged and supported. This "grass roots" awareness of customer service and profit management has been at the core of Connells' success and is a key component to its future strategy.

The Group aims to grow its operations through both new branch openings and via acquisition. Where a good strategic fit exists, the Group explores proactively the acquisition of smaller regional players, who are often market leaders in their locality.

2018 BUSINESS REVIEW

	2018	2017
Total income [a]	**£417.5m**	**£420.5m**
Earnings before interest, tax, depreciation and amortisation, impairment and contingent consideration (EBITDA) [b]	**£75.0m**	**£80.1m**
Profit before tax [c]	**£56.9m**	**£65.7m**
Movement in:		
Estate agency property exchanges	**-7%**	**-4%**
Residential lettings properties under management	**+3%**	**+5%**
Number of mortgages arranged	**+9%**	**+11%**
Surveys and valuations completed	**-2%**	**+1%**
Number of conveyancing transactions arranged	**-5%**	**+3%**

[a] Total income comprises revenue, other operating income, dividends from equity investments and Group share of profit after tax in joint ventures.
[b] Before exceptional items
[c] Excluding gain on sale of equity investments

The ongoing political and Brexit related uncertainty weakened the UK housing market during 2018, and the number of housing transactions within the UK fell further during the year. Consequently, the number of properties that Connells exchanged contracts on was 7% lower than in 2017. The Group remains committed to its High Street presence and operated from 586 branches at 31 December 2018 (2017: 591).

Connells continues to invest in its residential lettings business and despite the impact of adverse tax changes announced in recent years, the private rented sector remains a key part of the UK's housing market. Market conditions in the rental market were broadly stable throughout the year, with a modest increase in average rents and an adequate level of demand from tenants. During 2018 the number of properties managed by the Group increased by a further 3%. During the year, the Group implemented a range of revenue enhancing initiatives which will mitigate some of the lost revenue in 2019 when the prohibition on charging fees to tenants comes into force.

The Group's financial services proposition continues to prosper and during 2018 the Group increased the number of mortgages it arranged by 9%, despite lower property sales in the branches, generating £10.6bn worth of lending for UK mortgage providers. The Group remains focussed on helping more customers to buy homes or reduce their mortgage outgoings by providing them with a good experience and outcome.

Connells Survey & Valuation Limited continues to invest heavily in new technology and process improvements, to support clients' risk management and improved customer outcomes. It continues to focus on delivering outstanding customer service, has secured a number of new long term client contracts during 2018 and also renewed contracts with many existing clients. The number of qualified surveyors was 301 at the end of 2018 (2017: 305). The number of cases carried out by Connells Survey & Valuation during 2018 was 2% lower than in 2017.

The Group's EBITDA for the year ended 31 December 2018 fell by 6% from 2017 which, given the prevailing market conditions, the Directors consider to be a good result, further demonstrating the success of the Group's diversified business model.

The Group's total profit before tax of £56.9m compares with £104.2m in 2017, however the prior year includes a gain of £38.5m from the disposal of its shareholding in ZPG Plc, which was not repeated in 2018.

The Group continues to invest wisely in all parts of its business, aiming towards delivering an efficient, customer focused proposition, with its diverse business model being well positioned to manage the fluctuations in the housing market. Current and planned system enhancements are focused on improving customer interactions, increasing operational efficiencies or reducing cost and supporting new business developments. With its strong focus on people, it sees digital technology as an enabler that supports and enhances rather than replaces the bond built between its customers and people.

Within its estate agency operations the Group continues to focus on the service provided to customers through its High Street presence. Despite the Group exiting the pure online/hybrid market during 2018, when it closed hatched.co.uk Limited, it continues to invest in digital products and solutions, including the continued enhancement of its customer communications and online portal to support its branch operations in winning and retaining business and achieving successful transaction outcomes for customers.

Building upon the successes achieved through co-ordinated national campaigns, the Group has expanded its use of digital and social media advertising. These activities are centrally managed and fully tracked via its lead management platform. This approach provides flexibility, allowing the business to adapt quickly during changing market conditions.

The Group continues to innovate, invest and partner within the industry where it sees opportunities to enhance customer outcomes. In partnership with TM Group the Move It On (MIO) application, designed to shorten the property purchase process, has been implemented in a trial region. Further refinements are planned in advance of a national launch to the remainder of the Group and the wider market during 2019.

The Group continues to explore and invest in a number of industry opportunities within both the new homes and the mortgage market. These provide additional business opportunities and a range of tools and services to help maintain the positive relationship already maintained with customers and clients within these markets.

Despite the subdued market conditions, the Group made four small business acquisitions during the year, each of which will complement and add to the Group's proposition. See note 23 for more details.

Risks and uncertainties

The Group recognises that successfully managing its risks is essential to support its activities. The Board has overall responsibility for the systems of internal control and risk management and, through the Audit and Risk Committee regularly assesses the management of key risks facing the business. The Group operates a risk management framework which establishes principles to support the effective management of risks. The Group's risk appetite is documented in risk appetite statements, which are reviewed and approved annually by the Audit and Risk Committee, before being recommended for approval to the Board. The Group operates a three lines of defence model as follows:

- Management throughout the Group's businesses are primarily responsible for identifying, assessing, controlling, monitoring and reporting risks and ensuring an appropriate risk management culture exists across their lines of responsibility.

- The Group's risk and compliance functions develop and oversee the risk management framework, set policy, provide guidance and support to management and provide monitoring and oversight on behalf of the Board.

- Internal Audit, provided by the Skipton Group Internal Audit function, provides third line independent assurance on the systems of risk and internal controls in place across the Group.

The principal risks facing the Group, together with how the Group seeks to mitigate these, are set out below:

Housing Market

The UK housing market is cyclical and its strength correlates closely with the general strength of the UK economy. Changes in house prices and the volume of properties sold impact the results of the business. UK political and Brexit uncertainty continue to subdue the housing market and 2019 is likely to see a further fall in transaction volumes. However, the Board believes that the medium to long term outlook for the UK housing market remains broadly positive, driven partially by the ongoing imbalance between the demand for properties against the available supply.

The Board continues to review leading indicator KPIs and other macro-economic data regularly, in order that appropriate action is taken to manage short term market uncertainties whilst ensuring that the Group, through its diversified business model, is well positioned to capitalise when market conditions change for the better. The Board, through regular stress testing, also ensures that the Group maintains sufficient resources to withstand a severe downturn in the UK housing market.

Competitors

The Group operates in a number of markets where traditional operating models are being challenged, particularly in the digital/on line space. Failure to adapt and respond could lead to a fall in market share and, consequently, revenue.

The Group continues to monitor changing trends in the markets in which it operates and, as noted above, will continue to invest in both its systems and people so that it can address any relevant changes to customers' behaviour and expectations. The Group firmly believes that its strengths lie in providing customers with high quality face to face advice, across a range of services, from an extensive local High Street presence and will continue to strengthen our proposition to ensure our customers continue to receive excellent customer service.

Regulatory Compliance

Our businesses operate across a number of regulatory environments, which continue to evolve rapidly. Failure to comply with current or future regulatory requirements could result in regulatory censure, fines or enforcement action which would impact on the Group's ability to carry out certain activities.

The business continually develops its focus on conduct risk, customer outcomes, and compliance within the regulated part of its business to reflect industry best practice. The Group provides extensive training to and supervision of its operational teams, supported by centralised compliance and risk teams which closely monitor existing business activities and assess proposed new developments. A robust complaints handling process exists, with root cause analysis being fed back into operational activities. During 2019 the Government's ban on agents charging fees to tenants will be implemented, which will impact materially the income derived by our lettings business. We are advanced in our compliance preparations and, in order to partially mitigate the financial impact, have already and intend to roll out further income enhancing opportunities across that part of our business.

IT Infrastructure and information security

The Group depends on efficient systems for its day to day operations and maintenance of its financial records. A significant interruption to its IT services, or breach of data security, would have an adverse impact on the ability to trade. The Group's systems could also be subject to the increasing risk of a cyber-attack.

The Group continues to invest in its IT and data security systems to ensure that its systems adequately support its expanding operations and address the changing needs of the business. Regular penetration and business recovery testing is carried out. Regular training is provided to all colleagues to advise them of good security procedures and data protection requirements.

Professional indemnity exposure

The previous downturn in the UK housing market caused the Group to experience an increase in professional indemnity insurance claims against it, particularly within Connells Survey and Valuation Limited, however current incidence of new claims remains low.

More robust training, supervision and quality assurance processes are in place aimed at reducing the likely incidence of such claims in the future. Current outstanding claims continue to be well managed by an experienced team and the Group carries an appropriate level of Professional Indemnity Insurance cover.

Loss of a major client

Several of the Group's businesses hold a number of important client relationships, the loss of which would adversely affect their income and performance.

Each business carries out regular review meetings with clients at all levels of management; any issues should therefore be identified and escalated at an early stage.

Financial misstatement and fraud

Material financial misstatement arising due to an error or fraud could cause reputational damage, financial loss or lead to inappropriate decision making.

The Group's financial controls, including segregation of duties, are designed to operate throughout the business to address this risk. These controls are supplemented by comprehensive monitoring of financial performance to budget and expectations at a cost centre level.

Capital

In common with other businesses in the sector, the Group is relatively highly operationally geared. Trading performance is sensitive to transaction volumes in the UK residential housing market. In the short term, certain costs are fixed so that when income falls there is a direct and adverse impact on profits and cash flows.

The Group's policy is to retain sufficient cash and capital resources to allow it to withstand market volatility and achieve its corporate objectives.

People

Estate agency is very much a people business. As such, the Group is reliant on the ability, training, skills and motivation of its people. A key risk to the business is the possibility of losing people, particularly senior managers who have extensive knowledge and experience.

In order to combat this, the Board ensures that service agreements, remuneration packages, and human resources policies are constantly reviewed.

Customers

The Group is firmly committed to delivering good outcomes for all customers. This means ensuring that the range of products and services offered meet the needs of customers, that the 'end to end' processes for delivering these services are appropriate and effective, and that our people have our customers' best interests at heart at all times. We take steps to develop and maintain this ethos within the culture of the business overall.

D C Livesey

DC Livesey
Director

26 February 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' 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 group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONNELLS LIMITED

Opinion

We have audited the financial statements of Connells Limited ("the company") for the year ended 31 December 2018 which comprise the group income statement, group statement of comprehensive income, group and company statements of financial position, group and company statements of changes in equity and group 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 group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 group 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.

The impact of uncertainties due to Britain exiting the European Union on our audit

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 recoverability of goodwill, valuation of put options, 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 group'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 group'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 group or the company or to cease their operations, and as they have concluded that the group and 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 their 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 group or 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.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company 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 7, 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 group and parent 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 group or the parent 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.

EJefferis

Emily Jefferis (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Fourth Street,
Milton Keynes
MK9 1NE
27 February 2019

Group Income Statement

For the year ended 31 December 2018

	Notes	Year ended 2018 £000	Year ended 2017 £000
Revenue	1,3	413,652	416,113
Other operating income	6	3,007	1,717
Operating expenses		(358,815)	(353,331)
Operating profit		**57,844**	**64,499**
Presented as:			
Earnings before interest, tax, depreciation, amortisation, impairment and contingent consideration		75,046	80,058
Depreciation		(9,908)	(9,832)
Amortisation and impairment of intangibles		(6,284)	(4,606)
Fair value changes in financial instruments held at FVTPL		(260)	(125)
Contingent consideration		(750)	(996)
Operating profit		**57,844**	**64,499**
Finance income	4	433	160
Finance costs	5	(1,408)	(1,756)
Net financing costs		(975)	(1,596)
Dividends received from available for sale assets		-	631
Group's share of profit after tax in joint ventures	12	801	2,001
Gain on sale of available for sale assets		-	38,480
Profit on disposal of joint venture		-	912
Dividends paid to non-controlling interests		(736)	(695)
Profit before tax		**56,934**	**104,232**
Taxation	8	(11,916)	(20,137)
Profit for the year		**45,018**	**84,095**
Attributable to:			
Equity holders of the Company		**45,018**	**84,095**

The Group had no material discontinued operations in the current year or preceding year.

The notes on pages 16 to 47 form part of these financial statements.

Group Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	Year ended 2018 £000	Year ended 2017 £000
Profit for the year		**45,018**	**84,095**
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/ gain on retirement benefit obligations	22	(1,622)	7,253
Tax on items taken directly to or transferred from equity			
- actuarial (loss) / gain on retirement benefit obligations	14	276	(1,441)
- other items that will not be reclassified to profit or loss		55	236
Items that may be reclassified subsequently to profit or loss:			
Revaluation of financial assets	13	-	5,028
Sale of financial assets		-	(38,685)
Income tax effect on revaluation and sale of financial assets	14	-	5,705
Other comprehensive expense for the year (net of income tax)		**(1,291)**	**(21,904)**
Total comprehensive income for the year		**43,727**	**62,191**
Total comprehensive income attributable to:			
Equity holders of the Company		**43,727**	**62,191**

The notes on pages 16 to 47 form part of these financial statements.

Group Statement of Financial Position

At 31 December 2018

	Notes	31 December 2018 £000	£000	31 December 2017 £000	£000
Non-current assets					
Property, plant and equipment	10	39,954		43,059	
Intangible assets	11	104,054		108,220	
Investments	12	12,152		12,792	
Financial assets	13	1,038		689	
Deferred tax assets	14	11,173		10,480	
Total non-current assets			168,371		175,240
Current assets					
Trade and other receivables	15	44,598		41,943	
Cash and cash equivalents	16	51,878		63,219	
Total current assets			96,476		105,162
Total assets			**264,847**		**280,402**
Current liabilities					
Trade and other payables	17	57,012		56,899	
Tax liabilities		6,424		10,263	
Provisions	18	9,979		7,786	
Total current liabilities			73,415		74,948
Non-current liabilities					
Trade and other payables	17	7,350		9,343	
Provisions	18	7,355		7,489	
Retirement benefit obligation	22	47,321		48,443	
Total non-current liabilities			62,026		65,275
Total liabilities			135,441		140,223
Equity – attributable to equity holders of the Company					
Share capital	19	1		1	
Share premium	19	25,288		25,288	
Capital redemption reserve	19	3,000		3,000	
Retained earnings	19	101,117		111,890	
Total equity			129,406		140,179
Total equity and liabilities			**264,847**		**280,402**

These accounts were approved by the Board of Directors on 26 February 2019 and signed on its behalf by:

D C Livesey

DC Livesey
Director

Company registration number: 03187394

The notes on pages 16 to 47 form part of these accounts.

Company Statement of Financial Position

At 31 December 2018

	Notes	31 December 2018 £000	31 December 2018 £000	31 December 2017 £000	31 December 2017 £000
Non-current assets					
Property, plant and equipment	10	2,416		2,596	
Investments	12	133,127		134,533	
Financial assets	13	975		689	
Deferred tax assets	14	8,424		8,483	
Total non-current assets			144,942		146,301
Current assets					
Trade and other receivables	15	8,830		4,535	
Cash and cash equivalents	16	39,531		49,019	
Tax asset		518		-	
Total current assets			48,879		53,554
Total assets			**193,821**		**199,855**
Current liabilities					
Trade and other payables	17	41,148		27,124	
Tax liabilities		-		3,042	
Total current liabilities			41,148		30,166
Non-current liabilities					
Trade and other payables	17	2,466		4,997	
Retirement benefit obligation	22	47,321		48,443	
Total non-current liabilities			49,787		53,440
Total liabilities			90,935		83,606
Equity – attributable to equity holders of the Company					
Share capital	19	1		1	
Share premium	19	25,288		25,288	
Capital redemption reserve	19	3,000		3,000	
Retained earnings	19	74,597		87,960	
Total equity			102,886		116,249
Total equity and liabilities			**193,821**		**199,855**

These accounts were approved by the Board of Directors on 26 February 2019 and signed on its behalf by:

D C Livesey

DC Livesey
Director

Company registration number: 03187394

The notes on pages 16 to 47 form part of these accounts.

Statement of Changes in Equity

For the year ended 31 December 2018

Group

	Share capital £000	Share premium £000	Capital redemption reserve £000	Fair value reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	1	25,288	3,000	-	111,890	140,179
Total comprehensive income for the year	-	-	-	-	43,727	43,727
Dividends to shareholders	-	-	-	-	(54,500)	(54,500)
Balance at 31 December 2018	**1**	**25,288**	**3,000**	**-**	**101,117**	**129,406**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Fair value reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	1	25,288	3,000	27,952	78,847	135,088
Total comprehensive income for the year	-	-	-	(27,952)	90,143	62,191
Dividends to shareholders	-	-	-	-	(57,100)	(57,100)
Balance at 31 December 2017	**1**	**25,288**	**3,000**	**-**	**111,890**	**140,179**

Company

	Share capital £000	Share premium £000	Capital redemption reserve £000	Fair value reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	1	25,288	3,000	-	87,960	116,249
Total comprehensive income for the year	-	-	-	-	41,137	41,137
Dividends to shareholders	-	-	-	-	(54,500)	(54,500)
Balance at 31 December 2018	**1**	**25,288**	**3,000**	**-**	**74,597**	**102,886**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Fair value reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	1	25,288	3,000	27,952	59,104	115,345
Total comprehensive income for the year	-	-	-	(27,952)	85,956	58,004
Dividends to shareholders	-	-	-	-	(57,100)	(57,100)
Balance at 31 December 2017	**1**	**25,288**	**3,000**	**-**	**87,960**	**116,249**

The notes on pages 16 to 47 form part of these accounts.

Group Statement of Cash Flows

	Note	Year ended 2018 £000	Year ended 2017 £000
Cash flows from operating activities			
Profit for the year		45,018	84,095
Adjustments for:			
Depreciation	10	9,908	9,832
Amortisation and impairment of intangible assets	2,11	6,284	4,606
Profit on disposal of property, plant and equipment	2	(172)	(927)
Impairment of financial assets	13	221	125
Finance income	4	(433)	(160)
Share of profit of joint ventures	12	(801)	(2,001)
Finance expense	5	1,408	1,756
Dividends received		-	(631)
Dividends paid to non-controlling interests		736	695
Tax expense	8	11,916	20,137
Fair value changes in financial instruments held at FVTPL		260	-
Past service costs on pensions	22	1,728	-
Profit on disposal of joint venture		-	(912)
Profit on disposal of equity investments		-	(38,480)
Operating profit before changes in working capital and provisions		**76,073**	**78,135**
Contributions to defined benefit pension scheme	22	(5,635)	(2,700)
(Increase)/ decrease in trade receivables		(236)	388
(Increase)/ decrease in prepayments and other receivables		(2,018)	656
Decrease in trade and other payables		(953)	(823)
Increase/ (decrease) in provisions		2,059	(80)
Cash inflow from operations		**69,290**	**75,576**
Tax paid		(16,093)	(18,261)
Net cash inflow from operating activities		**53,197**	**57,315**
Cash flows from investing activities			
Interest received		433	160
Dividends received from joint ventures	12	1,444	1,618
Investment in joint ventures and associates		(224)	(125)
Purchases of shares in subsidiaries, net of cash acquired		(1,827)	(2,292)
Proceeds on disposal of joint venture		-	960
Purchases of shares in assets held at FVTPL		(507)	-
Purchases of shares in available for sale assets		-	(250)
Dividends received from available for sale assets		-	631
Proceeds on disposal of available for sale assets		-	40,815
Purchases of business assets, net of cash acquired	23	(570)	(1,305)
Purchases of computer software	11	(1,420)	(1,657)
Purchases of property, plant and equipment	10	(7,860)	(10,529)
Proceeds on disposal of property, plant and equipment		1,229	2,809
Net cash (outflow)/ inflow from investing activities		**(9,302)**	**30,835**
Cash flows from financing activities			
Dividends paid to parent undertaking	9	(54,500)	(57,100)
Dividends paid to Non-controlling interests		(736)	(695)
Net cash outflow from financing activities		**(55,236)**	**(57,795)**
Net (decrease) / increase in cash and cash equivalents		**(11,341)**	**30,355**
Cash and cash equivalents at 1 January		63,219	32,864
Cash and cash equivalents at 31 December		**51,878**	**63,219**

The notes on pages 16 to 47 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Connells Limited (the "Company") is a Company incorporated, registered and domiciled in the UK. The following accounting policies have been applied consistently in these Group and Company financial statements:

a) Basis of accounting

Both the Company and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and effective as at 31 December 2018, and those parts of the Companies Act 2006 applicable to Companies reporting under IFRS. In publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual Income Statement and Statement of Cash Flows and related notes that form a part of these approved financial statements. The amount of the profit for the year dealt with in the financial statements of Connells Limited is disclosed in the Statement of Changes in Equity in these financial statements.

During the year the Group adopted the following new accounting standards, further details of which are provided in note 1c):

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

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

- 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. Of the standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of application.

IFRS 16 Leases

The new leasing standard, IFRS 16, will be effective from 1 January 2019 and will have a significant effect on various classifications within the Group's income statement and balance sheet, as the Group leases a large number of the premises in which it trades. Under the new standard a lessee will recognise, in its Statement of Financial Position, a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The lease expense within the Income Statement will also be affected and, whilst the total charge will remain the same over the lease period, the cost recognised in the Income Statement in earlier years will be higher. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements and has estimated that the total estimated transition adjustment at 1 January 2019 will be as follows:

- Recognition of a right of use asset and lease liability in the region of £44m; and
- The impact to profit before tax in the region of £0.2m for the year ending 31 December 2019.

Notwithstanding the above, the actual impacts of adopting the standard on 1 January 2019 may change because:

- The Group is in the process of finalising the testing and assessment of the controls over collection of all the necessary information in relation to lease contracts, required for the application of IFRS 16;
- The Group is still refining its impact assessment calculations specifically in relation to the judgment around lease extensions, renewal and terminations and the determination of the appropriate rate to discount the lease payment; and
- The new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

No significant impact is expected for leases where the Group is a lessor.

The Group will use the modified retrospective transition method on adoption, so all leases will be assumed to have started on 1 January 2019, which will result in no change to comparative numbers or reserves. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 Uncertainty over tax treatments
- Amendments to IAS 19

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

a) Basis of accounting (continued)

Measurement convention

These financial statements are prepared on the historical cost basis as modified for certain financial assets which are recorded at fair value. Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in section r).

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 Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Report. The financial position of the Group and Company, its cash flows, and liquidity position are shown on pages 10 to 15. In addition, the Group Directors' Report and notes to these financial statements include the Group'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 Group with respect to the Group's current resources and prospects, its risk appetite and the Group'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 Group 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.

Put options

As part of the Group's acquisition strategy, there are a number of subsidiaries where the group owns less than 100% of the share capital and there is an option for Non-controlling shareholders to sell their shares to the Company at some future date. In line with IAS 32 *Financial Instruments: Disclosure and Presentation and common accounting practice*, the Group's accounting policy for these transactions is to recognise the present value of Non-controlling shareholders' options as a financial obligation, along with the recognition of a further increase in the cost of investment. Under this accounting policy the Group consolidates 100% of the results of such subsidiaries to reflect the 100% ownership implicit in the recording of the future purchase of the Non-controlling interests' remaining shareholdings.

b) Basis of consolidation

The Group's annual financial statements consolidate the financial statements of the Company and all its subsidiary undertakings and include the Group's share of the results and post-acquisition reserves of its subsidiary undertakings.

Business combinations

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of during the period are included in the Group Income Statement from the date of acquisition or up to the date of disposal. All Group undertakings prepare financial statements to 31 December annually.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries and joint ventures

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for any permanent diminution in value. Dividends received and receivable are credited to the Company's Income Statement to the extent they represent a realised profit for the Company.

A joint venture is an undertaking in which the Group has a long term interest and over which it exercises joint control and has an interest in the net assets of the undertaking. Joint ventures are accounted for using the equity method and are initially recognised at cost. The Group's share of the profits of joint ventures is included in the Group Income Statement and its interest in the net assets is included in investments in the Group Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

c) Changes to significant accounting policies

The Group has adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* with effect from 1 January 2018. The effects of initially adopting these standards are outlined below.

IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces previous revenue recognition requirements, including IAS 18 *Revenue*. The Group has adopted IFRS 15 using the cumulative effect method, i.e. the impact of initially applying IFRS 15 was recognised on 1 January 2018 and therefore the financial information presented for the year ended 31 December 2017 has not been restated.

The Group has assessed the impact of IFRS 15 application on its consolidated financial statements, the results of which are summarised below.

- Estate agency sales commissions are recognised on the date contracts exchange unconditionally, consistent with IAS 18, as this is the date when the contract is considered to be in place under IFRS 15.
- Property management income will be recognised over the course of the contract in line with the timing of the work performed, rather than when cash is received. This has not resulted in a significant impact to the consolidated financial statements.
- Revenue from mortgage procuration fees is recognised on completion of the mortgage transaction, as this is the date IFRS 15 considers it is highly probable a significant reversal will not occur. This is consistent with IAS 18 so has not resulted in a significant impact.
- Insurance commission income is recognised upon fulfilment of contractual obligations, net of a provision for expected future clawback, impacting the expected transaction price under IFRS 15. This is consistent with IAS 18 so has not resulted in a significant impact.
- For Survey & Valuation revenue, the Group has determined that it acts in the capacity of principal rather than agent, and as such revenue and costs are recognised gross of sub-contracted panel fees. This is consistent with IAS 18 so has not resulted in a significant impact.
- Asset management income is accounted for on exchange of contracts as with estate agency sales commissions. The Group has determined that under IFRS 15 additional services be recognised earlier than under IAS 18, upon completion of the work, but this has not resulted in a material impact to the consolidated financial statements.

Based on its assessment, the Group has concluded that the application of IFRS 15 has not resulted in a significant change to its existing policies for the timing or measurement of revenue. The transition adjustment on 1 January 2019 was immaterial to the Group.

IFRS 9

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It introduces significant changes for the classification and measurement of financial instruments, including a new impairment approach. IFRS 9 also amends other standards dealing with financial instruments, including IFRS 7 *Financial Instruments: Disclosures*.

The impact has been assessed and is minimal given the Group does not hold complex financial instruments. The impact to the trade and receivables balance has been calculated based on historic bad debt rates, but the exposure is not material to the Group at approximately £0.1m. As permitted by the standard, the Group has not restated comparative information for prior periods with respect to classification and measurement, including impairment requirements, although the difference is immaterial.

Financial assets

Under IAS 39 financial assets were classified into four categories; available-for-sale, loans and receivables, at fair value through profit or loss and held to maturity. Under IFRS 9 financial assets are classified into the following categories; amortised costs, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Impact on financial assets

The original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018 are shown below.

Group	IAS 39 Classification	IFRS 9 classification
Cash and cash equivalents	Loans and receivables	Amortised cost through income statement
Trade receivables	Loans and receivables	Amortised cost through income statement
Financial assets	Fair Value through other comprehensive income (FVOCI)	Fair Value through profit and loss (FVTPL)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The Group has assessed that there are no material changes to the way it recognises financial liabilities.

Based on its assessment, the Group has concluded that the application of IFRS 9 has not resulted in a significant impact to the consolidated financial statements.

d) Revenue recognition

Revenue, which excludes value added tax, represents the total invoiced sales of the Group and is recognised as follows:

- Estate Agency sales commissions, new homes, land sales and auctions income is recognised on the date contracts are exchanged unconditionally, at which point all performance obligations are considered to have been fulfilled. Invoices are usually payable on completion.
- Commission earned from property lettings is recognised when the underlying service has been performed, including tenant introduction, rent collection or full property management. Invoices are usually payable immediately when the rent or fee is collected from the tenant.
- Revenue from mortgage procuration fees is recognised on completion of the mortgage transaction, which is when all contractual obligations have been fulfilled.
- Insurance commission income is recognised upon fulfilment of contractual obligations as part of the mortgage process, being when the insurance policy is put on risk; less a provision for expected future clawback repayment in the event of early termination by the customer.
- Survey & Valuation revenue is recognised on the date that the survey or valuation report is completed, at which point all performance obligations are considered to have completed. Revenue and costs are recognised gross of sub-contracted panel fees.
- Asset management commission earned is accounted for on exchange of contracts and additional services are recognised upon completion of work, recognised on a cost basis within contract assets; both of which are at the point all performance obligations are considered to have completed.
- All other income is recognised in line with when contractual obligations have been met.

e) Property, plant and equipment

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

Leasehold premises	-	Over the unexpired term of the lease in equal instalments
Freehold buildings	-	Lower of 50 years or estimated useful life of premises
Equipment, fixtures and fittings	-	3 to 10 years
Motor vehicles	-	25% of net book value

All depreciation is charged on a straight-line basis, except motor vehicles, where the reducing balance method is used. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings or businesses represents the excess of the fair value of consideration over the fair value of identifiable net assets and contingent liabilities acquired at the date of acquisition. Goodwill is calculated after also taking into account the fair value of contingent liabilities of the acquiree.

Where the Group acquires a majority shareholding in a subsidiary, but grants the Non-controlling interests an option to sell their shares to the Group at some future date, on acquisition the Group estimates the fair value of the total consideration payable in calculating the goodwill arising. In subsequent periods, for any put options written prior to the adoption of IFRS 3 (2008), any amendment to the Group's estimation of the fair value of the consideration remaining payable will result in a restatement in the goodwill. For any put options written after the adoption of IFRS 3 (2008), any amendments to the estimation of the fair value of the consideration payable are recorded in profit/loss. The put options in place and treatment of any changes in the value of the option are as follows as at 31 December 2018:

Company	**Accounting for changes in the value of the put option**
The Asset Management Group Limited (AMG)	Adjusted to goodwill
Sharman Quinney Holdings Limited	Adjusted to goodwill
Gascoigne Halman Group Limited	Recorded in the income statement
RMS Estate Agents Limited	Recorded in the income statement

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

g) Intangible assets

Intangible assets include acquired customer contracts and relationships, brands, software development costs and purchased software that in the opinion of the directors meets the definition of an intangible asset. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the day they are available for use. The estimated useful lives are as follows:

Customer contracts and relationships	-	1 to 10 years
Computer software	-	3 to 5 years
Brand	-	Indefinite

Finite life intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

h) Impairment

In accordance with IAS 36, *Impairment of Assets*, goodwill and intangible assets with an indefinite life are not amortised but are tested for impairment at each year end or when there is an indication of impairment. The recoverable amount is determined as the higher of its fair value less costs to sell and its value in use.

The Group applies discount rates based on its estimated current cost of capital of the subsidiary. Impairment is recognised where the present value of future cash flows of the subsidiary is less than its carrying value. A fifteen year time horizon has been used to reflect that subsidiaries are held for the long term. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Any impairment loss in respect of goodwill is not reversed. On the sale of a subsidiary, the profit or loss on sale is calculated after charging or crediting the net book value of any related goodwill. Negative goodwill arising on an acquisition is recognised directly in the Income Statement.

i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, and trade and other payables.

Trade and other receivables

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

Trade and other payables

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

Financial assets

Investments in equity securities held by the Company are measured at fair value through profit or loss. Any resultant gain or loss is recognised in the income statement in line with IFRS 9. Where the fair value cannot be reliably measured the investments are carried at cost less impairment.

Investments - Company

Investments in jointly controlled entities and subsidiaries are carried at cost less any impairment. The cost of investment arising on the acquisition of subsidiary undertakings or businesses comprises the consideration paid and the fair value of the put option obligation to acquire any non-controlling interest, when such an option exists. Subsequent re-estimates of the market value or the expected exercise date of the option are carried out by management. This results in an annual revaluation of the put option element of the cost of investment (see note 11). The Company regularly reviews its subsidiary investments for objective evidence of impairment.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash comprises cash in hand and loans 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.

j) Employee benefits

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group has a defined benefit scheme, the Connells (2014) Group Pension Scheme, which is closed to future benefit accrual. The Group's net obligation in respect of the Scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) and any unrecognised past service costs are deducted. The liability discount rate is the yield at the reporting date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to, the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

Net interest is calculated by applying the discount rate to the net defined benefit liability.

Contributions are transferred to the Trustee on a regular basis to secure the benefits provided under the rules of the Scheme.

The Group recognises all actuarial gains and losses directly into equity through the Statement of Comprehensive Income in the period they occur.

Defined contribution plans

The Group also operates a number of defined contribution pension plans. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions are charged to the Income Statement as they become payable, in accordance with the rules of the various schemes.

Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

k) Leases

A lease that transfers substantially all the risks and rewards of ownership of an asset is treated as a finance lease. The asset is recorded in the Statement of Financial Position as an item of property, plant and equipment at an amount equal to the lower of its fair value and the present value of the minimum lease payments, less accumulated depreciation and impairment losses. Rentals payable are apportioned between the finance element, which is charged to the Income Statement, and the capital element, which reduces the outstanding obligation. Costs of operating leases are charged to the Income Statement on a straight-line basis over the lease term. The Group's proposed policy for IFRS 16 *Leases* is explained in note 1a).

l) Provisions for liabilities and charges

A provision is recognised in the Statement of Financial Position when the Group has a present, legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

m) 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 asset or liability 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 for individual subsidiaries in the Group.

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.

n) Net financing costs

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

o) Dividend income

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

p) Joint arrangements

All of the group's joint arrangements are structured through separate vehicles. The group has considered in each arrangement whether there are contractual arrangements or other facts and circumstances that indicate the group has rights to the underlying assets and obligations for the liabilities of the joint arrangement. There are no contractual terms or other facts and circumstances that indicate this to be the case for each joint arrangement. As such, each joint arrangement has been treated as a joint venture and has been equity accounted.

q) Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The Group also has to make judgements in applying its accounting policies which affect the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key estimates, assumptions and judgements are set out below:

Put option obligation

Where the Group acquires a majority shareholding in a subsidiary, but grants non-controlling interests an option to sell their shares to the Group at some future date, on acquisition the Group estimates the fair value of the total consideration payable in calculating the goodwill arising. The fair value of both the put option obligation and the associated goodwill recognised is dependent on the following assumptions: the market value growth of the obligation and the discount rate used at the reporting date. It is assumed that the holders will exercise their options at the earliest opportunity. These assumptions are reviewed on a regular basis by senior management.

Retirement benefit obligations

The defined benefit pension scheme exposes the Group to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. In conjunction with its actuaries the Group makes key financial assumptions which are used in the actuarial valuation of the defined pension benefit obligation and, therefore, changes to these assumptions have an impact on the defined benefit pension obligation in the Statement of Financial Position and amounts reported in the Income Statement. These assumptions include inflation and discount rates, life expectancy, commutation allowances and the rate of salary growth; see note 22 for further details on these assumptions.

A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to Scheme liabilities. This would impact the Statement of Financial Position adversely and may give rise to increased charges in future years' Income Statements. This effect would be partially offset by an increase in the value of the Scheme's bond holdings and caps on inflationary increases also exist to protect the scheme against high levels of inflation.

Approximate sensitivities of the principal assumptions are set out in the table below, showing the increase or reduction in the pension obligation. Each sensitivity considers one change in isolation.

Assumption	**Change in assumption**	**2018**	**2017**
Discount Rate	Decrease of 0.25% p.a.	Increase by 4.3%	Increase by 4.6%
Rate of inflation	Increase 0.25% p.a.	Increase by 2.2%	Increase by 2.3%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.1%	Increase by 3.0%

The average duration of the defined benefit obligation at the period ending 31 December 2018 was 18 years (2017:18 years.)

Impairment of investments and goodwill

In determining whether an impairment loss should be recognised in the Income Statement, management compare the future cash flows of each subsidiary against its carrying value. The key assumptions for the value in use calculations are those regarding the cash flows, discount rates and growth rates. The Group prepares cash flow forecasts on the assumption that the subsidiaries are held for long-term investment. Excluding AMG, the cash flows are derived from the most recent financial budgets for the next five years, which take into account the risks inherent in the businesses. For all CGU's the cash flows are extrapolated for subsequent years (up to an additional 10 years) based on long-term growth rate of 2.5% (2017: 2.5%). The Group estimates discount rates based on the current cost of capital adjusted for the risks inherent in its subsidiaries. The pre-tax discount rate used in 2018 was 10.60% (2017: 10.60%).

Provisions

Professional indemnity obligations

Provision is made for professional indemnity claims and potential claims that arise during the normal course of business in relation to surveys and valuations performed by the Group. Where a formal letter of claim has been received a provision is made on a case by case basis, taking into account the strength of the Group's case, and its history of successfully defending claims. Where initial notification of claims has been received, an estimate is made of the proportion of these expected to lead to a formal claim based upon historical trends. Finally, provision is also made for the estimated level of claims incurred but not yet reported at the reporting date (IBNR), taking into account market conditions and a prudent attitude to risk.

NOTES TO THE FINANCIAL STATEMENTS *(continued)* Insurance commission clawback

1. Accounting policies (continued)

The 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 calculating the provision are revisited every quarter.

2. Expenses and Auditor's remuneration

Profit before tax is stated after charging / (crediting) the following:

	Notes	Group Year ended 2018 £000	Group Year ended 2017 £000
Depreciation of property, plant and equipment	10	9,908	9,832
Profit on disposal of property, plant and equipment		(172)	(927)
Impairment of available for sale assets		-	125
Amortisation of intangibles	11	3,789	4,606
Impairment loss on trade receivables		90	178
Rentals payable under operating leases			
- Plant and machinery		461	395
- Land and buildings		12,211	12,042
Auditor's remuneration and expenses - Group			
Audit of these financial statements		305	275
Pension services		-	3
Other assurance services		7	17
Auditor's remuneration and expenses - Company			
Audit of these financial statements		20	17
Pension services		-	3

3. Revenue

All revenue in the Group 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 Group 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
Commissions earned on property sales	153,169	-	153,169	163,767
Commissions earned on property lettings	63,519	-	63,519	60,356
Income from sale of financial services products	80,857	13,205	94,062	85,600
Survey and valuation income	64,709	-	64,709	64,235
Conveyancing income	27,094	-	27,094	31,228
Other income and commissions	10,346	753	11,099	10,927
	399,694	13,958	413,652	416,113

4. Finance income

	Group Year ended 2018 £000	Group Year ended 2017 £000
Interest on bank deposits	13	12
Interest receivable from Group undertakings	387	127
Other interest receivable	33	21
	433	160

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Finance costs	**Group Year ended 2018 £000**	**Group Year ended 2017 £000**
Net interest payable on pension liabilities (see note 22)	1,163	1,473
Movement on put option liability interest	245	283
	1,408	**1,756**

6. Other operating income	**Group Year ended 2018 £000**	**Group Year ended 2017 £000**
Rents receivable under property leases	516	565
Profit on sale of fixed assets	172	927
Fair value changes in financial instruments held at FVTPL	(260)	-
Other	2,579	225
	3,007	**1,717**

7. Staff numbers and costs

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

	Group 2018 No.	**Group 2017 No.**
Directors	7	7
Other	6,951	6,988
	6,958	**6,995**

The aggregate payroll costs of these persons was as follows:

	£000	**£000**
Wages and salaries	220,719	217,011
Social security costs	22,084	21,801
Other pension costs	4,061	2,565
	246,864	**241,377**

Directors' emoluments	**Group Year ended 2018 £000**	**Group Year ended 2017 £000**
Directors' emoluments	2,274	2,404
Company contributions to defined contribution pension schemes	7	13
	2,281	**2,417**

Two of the Directors are remunerated by another Group company. During the year £54,000 (2017: £53,000) was charged to the Group for their services.

The aggregate of emoluments of the highest paid Director was £787,485 (2017: £892,856). There were no contributions to defined contribution pension schemes (2017: £nil) included within this total.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Tax expense

	Group Year ended 2018 £000	Group Year ended 2017 £000
a) Analysis of expense in the year at 19.00% (2017: 19.25%)		
Current tax expense		
Current tax at 19.00% (2017: 19.25%)	12,866	21,225
Adjustment in respect of prior years	-	(353)
Total current tax	12,866	20,872
Deferred tax (income) / expense		
Origination and reversal of temporary differences	(913)	(1,079)
Adjustment in respect of prior years	(37)	344
Total deferred tax (see note 14)	(950)	(735)
Tax expense	11,916	20,137

b) Factors affecting current tax expense in the year

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

	2018	2017
Profit before tax	56,934	104,232
Tax on profit at UK standard rate of 19.00% (2017: 19.25%)	10,817	20,065
Effects of:		
Non-taxable income from joint ventures	(153)	(385)
Expenses not deductible for tax purposes	1,399	1,083
Adjustment to tax expense in respect of prior years	(37)	(9)
Income not taxable for tax purposes	(176)	(711)
Other	66	94
Tax expense recognised in Income Statement	11,916	20,137

c) Income tax recognised in Other Comprehensive Income	Group Year ended 2018 £000	Group Year ended 2017 £000
Deferred tax on actuarial loss/ (gain) on retirement benefit obligations	(191)	(1,441)
Tax on other items taken directly or transferred from equity	522	236
Deferred tax on revaluation of financial assets	-	5,705
Tax income recognised in Other Comprehensive Income	331	4,500

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 asset at 31 December 2018 has been calculated based on this rate.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9. Dividends

	Year ended 2018 £000	Year ended 2017 £000
Amounts recognised as distributions to equity holders in the period:		
Dividends for the year paid on 'A' shares	54,500	57,100

The dividend per share totalled £5.27 (2017: £5.51). No dividends (2017: nil) were paid to the holders of 'B,' 'C' and 'D' ordinary shares.

10. Property, plant and equipment

Group

	Land and buildings £000	Equipment fixtures and fittings £000	Motor vehicles £000	Group total £000
Cost				
At 1 January 2018	41,287	31,243	17,696	90,226
Additions	2,332	3,246	2,282	7,860
Disposals	(693)	(3,478)	(2,718)	(6,889)
At 31 December 2018	**42,926**	**31,011**	**17,260**	**91,197**
Accumulated depreciation and impairment				
At 1 January 2018	17,234	20,857	9,076	47,167
Depreciation charge for the year	3,209	4,352	2,347	9,908
Disposals	(547)	(3,467)	(1,818)	(5,832)
At 31 December 2018	**19,896**	**21,742**	**9,605**	**51,243**
Carrying amounts				
At 1 January 2018	24,053	10,386	8,620	43,059
At 31 December 2018	**23,030**	**9,269**	**7,655**	**39,954**

Company

	Land and buildings £000	Equipment fixtures and fittings £000	Company total £000
Cost			
At 1 January 2018	3,956	970	4,926
At 31 December 2018	**3,956**	**970**	**4,926**
Accumulated depreciation and impairment			
At 1 January 2018	1,416	914	2,330
Depreciation charge for the year	124	56	180
At 31 December 2018	**1,540**	**970**	**2,510**
Carrying amounts			
At 1 January 2018	2,540	56	2,596
At 31 December 2018	**2,416**	**-**	**2,416**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Property, plant and equipment (continued)

Group	**Land and buildings £000**	**Equipment fixtures and fittings £000**	**Motor vehicles £000**	**Group total £000**
Cost				
At 1 January 2017	37,960	27,471	18,694	84,125
Arising on acquisition	-	2	-	2
Reclassification of assets	240	-	-	240
Additions	4,841	3,893	1,795	10,529
Disposals	(1,754)	(123)	(2,793)	(4,670)
At 31 December 2017	**41,287**	**31,243**	**17,696**	**90,226**
Accumulated depreciation and impairment				
At 1 January 2017	14,801	16,802	8,444	40,047
Depreciation charge for the year	2,954	4,173	2,705	9,832
Reclassification of assets	76	-	-	76
Disposals	(597)	(118)	(2,073)	(2,788)
At 31 December 2017	**17,234**	**20,857**	**9,076**	**47,167**
Carrying amounts				
At 1 January 2017	23,159	10,669	10,250	44,078
At 31 December 2017	**24,053**	**10,386**	**8,620**	**43,059**

Company	**Land and buildings £000**	**Equipment fixtures and fittings £000**	**Company total £000**
Cost			
At 1 January 2017	4,065	970	5,035
Disposals	(109)	-	(109)
At 31 December 2017	**3,956**	**970**	**4,926**
Accumulated depreciation and impairment			
At 1 January 2017	1,311	855	2,166
Depreciation charge for the year	124	59	183
Disposals	(19)	-	(19)
At 31 December 2017	**1,416**	**914**	**2,330**
Carrying amounts			
At 1 January 2017	2,754	115	2,869
At 31 December 2017	**2,540**	**56**	**2,596**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Intangible assets
Group

	Goodwill £000	Brands £000	Computer software £000	Customer contracts & relationships £000	Total £000
Cost					
At 1 January 2018	93,312	6,499	6,883	28,265	134,959
Arising on acquisition	51	-	-	-	51
Additions	-	-	1,420	647	2,067
At 31 December 2018	**93,363**	**6,499**	**8,303**	**28,912**	**137,077**
Amortisation and impairment losses					
At 1 January 2018	2,210	-	3,849	20,680	26,739
Amortisation charge for the year	-	-	1,200	2,589	3,789
Impairment	2,495	-	-	-	2,495
At 31 December 2018	**4,705**	**-**	**5,049**	**23,269**	**33,023**
Carrying amounts					
At 1 January 2018	91,102	6,499	3,034	7,585	108,220
At 31 December 2018	**88,658**	**6,499**	**3,254**	**5,643**	**104,054**

	Goodwill £000	Brands £000	Computer software £000	Customer contracts & relationships £000	Total £000
Cost					
At 1 January 2017	92,465	6,499	5,226	26,940	131,130
Arising on Acquisition	847	-	-	-	847
Additions	-	-	1,657	1,383	3,040
Disposals	-	-	-	(58)	(58)
At 31 December 2017	**93,312**	**6,499**	**6,883**	**28,265**	**134,959**
Amortisation and impairment losses					
At 1 January 2017	2,210	-	2,885	17,096	22,191
Amortisation charge for the year	-	-	964	3,642	4,606
Disposals	-	-	-	(58)	(58)
At 31 December 2017	**2,210**	**-**	**3,849**	**20,680**	**26,739**
Carrying amounts					
At 1 January 2017	**90,255**	**6,499**	**2,341**	**9,844**	**108,939**
At 31 December 2017	**91,102**	**6,499**	**3,034**	**7,585**	**108,220**

The brands relate to Gascoigne Halman, RMS Estate Agents and Peter Alan. In the Directors' view, these brands all have a long and successful history and have shown their ability to adapt to changing market trends. Further, the Group will continue to invest in the brands in order to protect their value. As such, the brands have been judged to have indefinite lives and are not amortised but are subject to annual impairment tests.

All amortisation and impairment charges in the year have been charged through operating expenses.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Intangible assets (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying value of goodwill and brands is allocated as follows:

Group

	Goodwill Carrying value 2018 £000	Brands Carrying value 2018 £000	Goodwill Carrying value 2017 £000	Brands Carrying value 2017 £000
Sequence (UK) Limited	40,319	-	40,243	-
Connells Residential	5,736	-	5,736	-
Sharman Quinney Holdings Limited	5,677	-	5,677	-
Peter Alan Limited	5,770	2,317	5,795	2,317
Gascoigne Halman Group Limited	6,239	2,982	6,239	2,982
RMS Estate Agents Limited	2,325	1,200	3,525	1,200
Hatched.co.uk Limited	-	-	1,295	-
The Asset Management Group Limited	9,410	-	9,410	-
Spaull Limited	13,182	-	13,182	-
	88,658	**6,499**	**91,102**	**6,499**

During the year the goodwill relating to Hatched.co.uk Limited was fully impaired as that business was closed, and the goodwill relating to RMS Estate Agents Limited was impaired by £1.2m based on current and expected performance. The recoverable amounts of CGUs and brands are determined from value-in-use calculations.

Key assumptions

The value-in-use calculation for each of the above companies is most sensitive to the following assumptions:

- Forecast cash flows
- Long term growth rate
- Discount rates

Forecast cash flows reflect how management believe the business will perform over the short term five year period and are used to calculate the value-in-use of the CGUs. The Group prepares cash-flow forecasts on the assumption that the subsidiaries are held for long-term investment. The cash flows for the Estate Agency and Survey and Valuation businesses are derived from the most recent financial budgets for the next five years, which take into account the risks inherent in the businesses

The growth rate reflects how management believe the business will perform over the long term, and extrapolate cash flows for subsequent years (up to an additional 10 years) based on a long-term growth rate of 2.5% (2017: 2.5%).

Discount rates reflect management's estimate of the post-tax Weighted Average Cost of Capital (WACC) of the Group and this is the benchmark used by management to assess operating performance and to evaluate future acquisition proposals. The pre-tax discount rate was 10.60% (2017: 10.60%).

The Asset Management Group (AMG) is counter-cyclical and its profits are driven by the level of repossessions in the housing market. The cash flows for AMG models the impact of a small increase in the profits driven by an increase in the level of repossessions. The long term growth rate assumed was 2.5% (2017: 2.5%).

Sensitivities

Management has undertaken sensitivity analyses to determine the effect of changes in assumptions on the 2018 impairment reviews. The key assumptions driving the carrying values are the discount rate applied to the cash flow forecasts and the growth rates within the cash flow forecast for both the next 5 years and the long term.

Management have considered the CGUs under various scenarios and concluded that there is significant headroom over the majority of the CGUs. The CGUs with the least headroom were Asset Management Group Limited and RMS Estate Agents Limited.

For AMG, to test the sensitivity the discount rate was increased by 2% leading to an impairment of £0.2m. As an additional test to the sensitivity the long term growth rate was decreased by 2.5%, leading to an impairment of £0.1m, and a 5% decrease would lead to an impairment of £0.8m. The 5 year forecast cash flows were reduced by 10%, the carrying value still exceeded the asset value, but a 15% decrease year on year would trigger an impairment of £0.4m.

For RMS Estate Agents Limited, to test the sensitivity the discount rate was increased by 1% leading to an additional impairment of £0.3m. As an additional test to the sensitivity the long term growth rate was decreased by 2.5%, leading to an additional impairment of £0.4m, and a 5% decrease would lead to an additional impairment of £0.7m. For the 5 year forecast cash flows the growth rate was decreased by 5% year on year, leading to an additional impairment of £0.2m, and a 10% decrease would lead to an additional impairment of £0.4m.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Intangible assets (continued)

Across the remaining CGUs, it would require a significant decline in performance to trigger an impairment. To test the sensitivity the discount rate was increased by 5%, which would result in an impairment of £2,4m. The sensitivity to the long term growth rate was also tested, decreases of 5% year on year would not result in an impairment, and decreases of 10% would lead to an impairment of £0.6m. For the 5 year forecast cash flows decreases of 5% year on year would not result in an impairment, and decreases of 10% would lead to an impairment of £1.9m.

The forecast cash flows for the short term five year period are considered to be more sensitive due to market uncertainty, accentuated by Brexit. As such the sensitivities have been performed with this uncertainty in mind.

12. Investments

The Company owns equity share capital in the following joint ventures, which are incorporated and trade in the UK, as follows:

Name of joint venture and associate	Nature of business	Proportion of ordinary shares held 2018	Proportion of ordinary shares held 2017
TM Group (UK) Limited	Property search services	33.3%	33.3%
Vibrant Energy Matters Limited	Home Energy, property and eco services	46.1%	46.1%
Cybele Solutions Holdings Limited	Conveyancing services	50.0%	50.0%

There are no significant restrictions over each joint venture's ability to pay cash dividends.

In the prior year, the Group disposed of its entire shareholding in Home Telecom Limited, realising a profit on disposal of £912,000.

Joint ventures are recognised within these financial statements using the equity accounting method.

Group	Group 2018 £000	Group 2017 £000
Joint Ventures		
Balance at 1 January	12,792	12,457
Additions	3	-
Disposals	-	(48)
Share of joint venture profits after tax	801	2,001
Dividends received	(1,444)	(1,618)
At 31 December	**12,152**	**12,792**
Carrying amount		
At 1 January	12,792	12,457
At 31 December	**12,152**	**12,792**

Investment in joint ventures	Group 2018 £000	Group 2017 £000
Share of joint ventures'		
Non-current assets	11,306	9,684
Current assets	5,083	6,452
Current liabilities	(4,237)	(3,344)
Net assets at 31 December	**12,152**	**12,792**
Share of joint ventures'		
Income	33,300	35,058
Admin expenses	(32,106)	(32,393)
Depreciation and amortisation	(145)	(169)
Interest income	7	7
Profit before tax	**1,056**	**2,503**
Taxation	(255)	(502)
Profit and total comprehensive income	**801**	**2,001**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Investments (continued)

The following tables detail financial information for those joint ventures held at 31 December 2018, together with the Group's share.

TM Group (UK) Limited	**2018**	**2017**
	£000	**£000**
Non-current assets	5,364	2,217
Current assets	6,266	6,868
Current liabilities	(7,042)	(3,456)
Net assets at 31 December	**4,588**	**5,629**
Group's share of net assets	**1,527**	**1,874**
Investment	**48**	**48**
Carrying amount of interest in joint ventures	**1,575**	**1,922**
Income	56,276	60,645
Admin expenses	(51,854)	(56,196)
Depreciation and amortisation	(341)	(372)
Interest income	18	16
Profit before tax	**4,099**	**4,093**
Taxation	(773)	(788)
Profit and total comprehensive income	**3,326**	**3,305**
Group's share of profit and total comprehensive income	**1,098**	**1,102**

Cybele Solutions Holdings Limited	**2018**	**2017**
	£000	**£000**
Non-current assets	3,842	3,053
Current assets	4,850	7,289
Current liabilities	(2,607)	(3,550)
Net assets at 31 December	**6,085**	**6,792**
Group's share of net assets	**3,043**	**3,396**
Investment	6,374	6,374
Carrying amount of interest in joint ventures	**9,417**	**9,770**
Income	23,251	25,524
Admin expenses	(24,015)	(23,200)
Interest income	3	4
(Loss)/ Profit before tax	**(761)**	**2,328**
Taxation	49	(492)
(Loss)/ Profit and total comprehensive income	**(712)**	**1,836**
Group's share of (loss)/ profit and total comprehensive income	**(356)**	**918**

Vibrant Energy Matters Limited	**2018**	**2017**
	£000	**£000**
Non-current assets	771	404
Current assets	1,096	1,039
Current liabilities	(1,034)	(823)
Net assets at 31 December	**833**	**620**
Group's share of net assets	**383**	**323**
Investment	**777**	**777**
Carrying amount of interest in joint ventures	**1,160**	**1,100**
Income	6,380	4,033
Admin expenses	(6,132)	(3,992)
Depreciation and amortisation	(69)	(86)
Profit/ (loss) before tax	**179**	**(45)**
Taxation	(49)	8
Profit/ (loss) and total comprehensive income	**130**	**(37)**
Group's share of profit/ (loss) and total comprehensive income	**59**	**(19)**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Investments (continued)

The Company's investments comprise the cost of the whole of the issued and fully paid ordinary share capital substantially owned directly or indirectly of its subsidiary undertakings together with its investments in joint ventures, all of which are incorporated in Great Britain, and whose operations are conducted in the United Kingdom.

Company	**Shares in group undertakings £000**	**Interest in joint ventures and associates £000**	**Total £000**
Cost			
At 1 January 2018	121,964	12,769	134,733
Additions	1,250	3	1,253
At 31 December 2018	**123,214**	**12,772**	**135,986**
Amortisation and impairment losses			
At 1 January 2018	200	-	200
Impairment	2,659	-	2,659
At 31 December 2018	**2,859**	-	**2,859**
Carrying amounts			
At 1 January 2018	121,764	12,769	134,533
At 31 December 2018	**120,355**	**12,772**	**133,127**
Cost			
At 1 January 2017	120,701	12,769	133,470
Additions	1,750	-	1,750
Put option reassessment	(487)	-	(487)
At 31 December 2017	**121,964**	**12,769**	**134,733**
Amortisation and impairment losses			
At 1 January 2017	-	-	-
Impairment	200	-	200
At 1 31 December 2017	**200**	-	**200**
Carrying amounts			
At 1 January 2017	120,701	12,769	133,470
At 31 December 2017	**121,764**	**12,769**	**134,533**

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

Name of subsidiary undertaking	**Principal nature of business**	**Proportion of ordinary shares held 2018**	**Proportion of ordinary shares held 2017**
Connells Residential[a]	Residential estate agency	100%	100%
Conveyancing Direct Limited[d]	Licensed Conveyancer	100%	100%
Connells Survey & Valuation Limited[a]	Residential surveying and valuations	100%	100%
The Asset Management Group Limited[b]	Asset management	75%	75%
AMG North East Limited[b]	Asset management	100%[2]	100%[2]
AMG Projects Limited[b]	Maintenance of properties for resale	100%[2]	100%[2]
Gascoigne Halman Group Limited[a]	Intermediate holding company	77.25%	75%
Gascoigne Halman (Holdings) Limited[a]	Intermediate holding company	100%[5]	100%[5]
Gascoigne Halman Limited[c]	Residential estate agency	100%[5]	100%[5]
Gascoigne Halman Private Finance Limited[c]	Advising on and arranging financial products	100%[5]	100%[5]
Hatched.co.uk Limited[a]	Online residential estate agency	100%	100%[6]
Just Wills Limited[a]	Will writing and associated services	100%	100%
Just Wills Group Limited[a]	Will writing and associated services	100%	100%
Just Wills Holdings Limited[a]	Will writing and associated services	100%	100%
Kevin Henry Limited[a]	Residential estate agency	100%[1]	100%[1]
Pattison Lane Estate Agents Limited[a]	Residential estate agency	95%[1]	95%[1]
Peter Alan Limited[a]	Residential estate agency	100%	100%

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Investments (continued)

Name of subsidiary undertaking	**Principal nature of business**	**Proportion of ordinary shares held 2018**	**Proportion of ordinary shares held 2017**
Protection Helpline Limited[a]	Advising on and arranging financial products	100%	100%
Redstone Wills Limited[d]	Will writing and associated services	100%	100%
RMS Estate Agents Limited[a]	Residential estate agency	95%	95%
RMS Mortgage Services Limited[a]	Advising on and arranging financial products	100%[7]	100%[7]
Sequence (UK) Limited[a]	Residential estate agency	100%	100%
Sharman Quinney Holdings Limited[a]	Residential estate agency	95%	95%
Spaull Limited[a]	Agents for insurance and mortgage related products, new homes marketing and operating as an estate agency.	100%	100%
White Space Property Group Limited[a]	Intermediate holding company	100%	100%

Connells Residential is an unlimited company

Put options exist over the non-controlling interests in The Asset Management Group Limited, Gascoigne Halman Group Limited, Sharman Quinney Holdings Limited and RMS Estate Agents Limited.

During 2018 the Group acquired a further 2.25% of the equity of Gascoigne Halman Group Limited.

During 2017 the put option over White Space Property Group Limited was exercised, and Connells Limited acquired the additional 25% of the equity of that Company.

The following companies are dormant:

Name of subsidiary undertaking	**Proportion of ordinary shares held 2018**	**Proportion of ordinary shares held 2017**
The Willmaster (Storage) Limited[a]	100%[10]	100%[10]
Interest Only Solutions Limited[a]	100%	100%
Executry Services Scotland Limited[e]	100%[10]	100%[10]
Chancery Law Services Limited[a]	100%[9]	100%[9]
Just Willbank Limited[a]	100%[11]	100%[11]
TNHG Limited[a]	100%[3]	100%[3]
The Willmaster Limited[a]	100%[10]	100%[10]
Legal Services Probate Limited[a]	100%[10]	100%[10]
The Universal Trust Corporation[a]	100%[11]	100%[11]
Heritage Family Estates Limited[a]	100%[11]	100%[11]
Peter Alan Black Limited[a]	100%	100%
Porter Glenny New Homes Limited[a]	100%[8]	100%[8]
Pulse CRM Limited[a] (in liquidation)	100%[3]	100%[3]
Connells Estate Agents Limited (formerly Shortfall Solutions Limited)[a]	100%	100%
Allguard Legal Services Limited[a]	100%[9]	100%[9]
In Home Legal Services Limited[a]	100%[9]	100%[9]
Willcraft Services Limited[a]	100%[9]	100%[9]
Legal Services UK Limited[e]	100%[10]	100%[10]
IHLS Limited[a]	100%[9]	100%[9]
Spaull Shelfco Limited[a] (in liquidation)	100%[3]	100%[3]
Stan Collins & Co Ltd[a]	100%[3]	100%[3]
Burchell Edwards (Midlands) Limited[a]	100%[4]	100%
NHMH Direct Limited[a]	100%[6]	100%[3]
Porter Glenny Limited[a]	100%[6]	100%[8]
Hatchedepc.co.uk Limited[a]	100%	100%[6]
Your Mortgage Cloud Limited[a]	100%[10]	100%[6]
Hockleys Professional Limited[a]	100%[10]	100%
Roberts & Co Property Management Limited[a]	100%[4]	100%[4]
Connell Financial Services Limited[a]	100%	100%
Zeus Financial Services Limited[a]	100%	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Investments (continued)

[1] Held indirectly through Sharman Quinney Holdings Limited
[2] Held indirectly through The Asset Management Group Limited
[3] Held indirectly through Spaull Limited
[4] Held indirectly through Peter Alan Limited
[5] Held indirectly through Gascoigne Halman Group Limited
[6] Held indirectly through White Space Property Group Limited
[7] Held indirectly through RMS Estate Agents Limited
[8] Held indirectly through Sequence (UK) Limited
[9] Held indirectly through Just Wills Holdings Limited
[10] Held indirectly through Just Wills Limited
[11] Held indirectly through Just Wills Group Limited
[12] Held indirectly through Connells Residential

Registered Offices
[a] Cumbria House, 16-20 Hockliffe Street, Leighton Buzzard, Bedfordshire, LU7 1GN
[b] 13-21 High street, Guildford, Surrey, GU1 3DG
[c] 42 Alderley Road, Wilmslow, Cheshire, SK9 1NY
[d] Windmill road, St Leonards on Sea, East Sussex, TN38 9BY
[e] c/o MacRoberts LLP, 60 York Street, Glasgow, Scotland, G2 8JX

* These companies were put into solvent liquidation in the year as the trade and assets had been previously hived up into other Group companies.

** The Company has guaranteed the liabilities of Roberts & Co Property Management Limited (Company number 05830009) for its period ending 31 December 2018. It is therefore exempt from audit under the Companies Act (2006) section 479A.

*** The Company has guaranteed the liabilities of Porter Glenny Limited (Company number 03014041) for its period ending 31 December 2017. It is therefore exempt from audit under the Companies Act (2006) section 479A.

13. Financial assets	**Group 2018 £000**	**Company 2018 £000**	**Group 2017 £000**	**Company 2017 £000**
Equity Investments				
Quoted shares carried at fair value	63	-	-	-
Unquoted shares carried at cost less impairment	725	725	439	439
Convertible loan notes	250	250	250	250
	1,038	**975**	**689**	**689**

Quoted shares carried at fair value

These comprise an equity investment in On The Market plc. The Group previously held loan notes in Agents Mutual Limited, which converted to ordinary shares in On The Market plc at a value of £115k on flotation of the company in February 2018. The shares were valued at £63k at 31 December 2018, based on the closing share price at that date.

Unquoted shares carried at cost

The Group's holding of unlisted investments comprises of investments in Hearthstone Investments plc (Hearthstone), Tactile Limited (trading as Fixflo) and Viewber Limited.

At 31 December 2018 the Group's shareholding in Hearthstone Investments Limited ("Hearthstone") was 17.1% (2017: 13.9%). The Company invested a further £221k in Hearthstone during 2018 which has been impaired in full. The Directors have reviewed the carrying value of this investment, based on recent trading performance, outlook and expectations of the value of the business and have concluded that the carrying value of £nil (2017: £nil) is the best indication of its fair value.

The Group's shareholding in Fixflo throughout the year was 8.7% (2017: 8.7%). The Directors have reviewed the carrying value of this investment, based on recent trading performance, outlook and expectations of the value of the business and have concluded that the cost of investment of £475k (2017: £439k) is the best indication of its fair value.

The Group acquired a 2.7% shareholding in Viewber Limited during the year for £250k. The Directors have reviewed the carrying value of this investment, based on recent trading performance, outlook and expectations of the value of the business and have concluded that the cost of investment of £250k is the best indication of its fair value.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Convertible loan notes

The Group holds convertible loan notes in Global Property Ventures Limited of £250k (2017: £250k). The Directors have reviewed the carrying value of this investment, based on recent trading performance, outlook and expectations of the value of the business and have concluded that the cost of investment of £250k (2017: £250k) is the best indication of its fair value.

The movement on the value of financial assets in the year is shown below:

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Balance at 1 January	689	689	36,432	36,432
Additions	609	507	375	375
Disposals	-	-	(41,021)	(41,021)
Fair value adjustment	(260)	(221)	5,028	5,028
Impairment	-	-	(125)	(125)
At 31 December	**1,038**	**975**	**689**	**689**

14. Deferred tax

Deferred tax balances are calculated on temporary differences under the liability method using an effective tax rate of 17% (2017: 17%) as this is the enacted rate that is expected to apply when the temporary differences reverse.

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

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Deferred tax asset/(liability) at 1 January	10,480	8,483	5,663	4,136
Income Statement credit	913	132	751	84
Movement arising from the acquisition or disposal of a business	(66)	-	(197)	-
Charged to the statement of comprehensive income:				
Change in fair value of assets classified as available-for-sale	-	-	5,705	5,705
Arising in respect of pension obligations	(191)	(191)	(1,442)	(1,442)
Adjustments in respect of prior periods	37	-	-	-
Deferred tax asset at 31 December	**11,173**	**8,424**	**10,480**	**8,483**

Deferred tax assets are attributable to the following items:

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Capital allowances	414	15	(100)	3
Losses	77	-	142	-
Provision for loan impairment	1,300	364	1,192	261
Pension obligations	8,045	8,045	8,235	8,235
Other	1,337	-	1,011	(16)
Deferred tax asset at 31 December	**11,173**	**8,424**	**10,480**	**8,483**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. Deferred tax

The credit to the income statement is attributable to the following items:

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Capital allowances	548	13	494	12
Losses	(64)	-	-	71
Provision for loan impairment	104	102	130	-
Other	325	17	(71)	-
Deferred tax credited to income for the year	**913**	**132**	**553**	**83**

The credit to other comprehensive income is attributable to the following items:

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Pension obligations	331	331	(1,441)	(1,441)
Revaluation of financial assets	-	-	5,705	5,705
Deferred tax credited to other comprehensive income for the year	**331**	**331**	**4,264**	**4,264**

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at least annually and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

15. Trade and other receivables

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Trade receivables	29,171	-	28,267	-
Amounts due from ultimate parent undertaking	1,030	-	712	-
Amounts due from subsidiary undertakings	-	4,325	-	4,130
Other receivables	4,582	4,500	2,902	105
Prepayments and accrued income	10,749	5	11,642	300
Contract assets	1,314	-	-	-
Bad debt provision	(2,248)	-	(1,580)	-
	44,598	**8,830**	**41,943**	**4,535**

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

Group	2018 £000 Gross	2018 £000 Impairment	2017 £000 Gross	2017 £000 Impairment
Not overdue	10,887	(135)	10,518	(10)
Overdue 0-30 days	11,374	(12)	12,412	(33)
Overdue 31-120 days	5,031	(959)	4,083	(699)
Overdue 120 days plus	1,879	(1,142)	1,254	(838)
	29,171	**(2,248)**	**28,267**	**(1,580)**

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

Group	2018 £000	2017 £000
At 1 January	(1,580)	(1,194)
Provisions made during the year	(954)	(905)
Receivables written off during the year	196	220
Provisions no longer required	90	299
At 31 December	**(2,248)**	**(1,580)**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. Trade and other receivables (continued)

The Group does not require collateral in respect of trade and other receivables. Management believes that the unimpaired amounts that are overdue are still collectible in full, based on historical payment behaviour and analysis of customer credit risk. The carrying value approximates to fair value.

Group and Company other receivables include rights to receive warrants in ZPG Plc amounting to £4,500k (2017: £nil).

16. Cash and cash equivalents

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Bank balances	15,128	2,781	16,219	2,019
Call deposits	36,750	36,750	47,000	47,000
	51,878	**39,531**	**63,219**	**49,019**

The call deposits represent cash on deposit with Skipton Building Society, the ultimate parent undertaking.

17. Trade and other payables

Due within one year	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Trade and other payables	7,256	1,220	7,195	790
Other taxes and social security	12,486	529	13,356	437
Amounts owed to ultimate parent undertaking	2,168	2,168	2,066	2,066
Amounts owed to subsidiary undertakings	-	28,000	-	16,550
Accruals and deferred income	28,117	2,246	28,666	1,665
Put option obligation	6,985	6,985	5,616	5,616
	57,012	**41,148**	**56,899**	**27,124**
Due after more than one year				
Trade and other payables	6,001	1,117	5,103	757
Put option obligation	1,349	1,349	4,240	4,240
	7,350	**2,466**	**9,343**	**4,997**

The movement within the fair value of the put option obligation is summarised below:	Group & Company 2018 £000	Group & Company 2017 £000
At 1 January	9,856	11,729
Unwind of the discount factor	245	283
Revaluation of future exercise dates	(136)	(173)
Revaluation of market value	(1,389)	(1,943)
Exercise of put option	(242)	(40)
At 31 December	**8,334**	**9,856**

During 2018 the fair value of the put option obligations relating to Gascoigne Halman Group Limited and RMS Estate Agents Limited were reduced by £1,389k, reflecting expectations around the valuation based on current and forecast trading. Put options amounting to £242k in relation to Gascoigne Halman Group Limited were exercised during the year.

In the prior year the fair value of the put option obligations relating to Gascoigne Halman Group Limited and White Space Property Group Limited were reduced by £1,943k, reflecting expectations around the valuation based on current trading. Additionally all the put options relating to White Space Property Group Limited were exercised during 2017.

18. Provisions

(a) Property provisions

The dilapidation provision is accrued on the basis of amounts identified at the date of property acquisition, less any subsequent expenditure, or where a section 412 notice or schedule of dilapidations has been received from the landlord. Provision is made for properties with non-cancellable leases where the Group no longer occupies the property. The provision represents the rent to the end of the lease, less any rental income from subletting the properties. The provision for the costs of closed branches is expected to reverse over the remaining life of the leases, or period to the anticipated date of disposal, if sooner.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18. Provisions (continued)

(b) Insurance commission clawback

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. The provision is expected to reverse relatively evenly over the next 3 years, with a slight weighting towards the first year.

(c) Professional indemnity obligations

Provision is made for professional indemnity claims and potential claims that arise during the normal course of business. The provision is based upon the expected level of future professional indemnity claims relating to services provided by the Group. The provision includes valuation and defect claims. It is not possible to estimate the timing of payment of all claims and therefore a significant proportion of the provision has been classified as non-current, although it is expected a significant proportion of the provision will be settled in the next 2 years, although some will take an additional 5 years to settle entirely.

Valuation claims
The value provided on each valuation claim is the lower of the Professional Indemnity insurance excess per claim or the estimated exposure. Any unutilised annual aggregate Professional Indemnity policy excess is also provided, where the ultimate level of successful claims is expected to exceed this threshold. To assess the level of future claims, analysis is performed on the number of preliminary notifications expected to turn into future claims, and on historical claim trends to forecast the number of future claims where a notification is yet to be received. Historical data on claims success frequency and value is also used to estimate the size of the liability. The provision will be utilised as individual claims are settled and the settlement amount may vary from the amount provided depending on the outcome of each claim. It is not possible to estimate the timing of payment of all claims and therefore a significant proportion of the provision has been classified as non-current.

Defect claims
The group also provides for defect claims where it is found that a property has a defect subsequent to the survey being performed. In some cases, the survey may not have identified the defect and this leads to claims being brought against the group. The value provided for each claim is the expected value of said claim. To assess the level of future claims, analysis is performed on the number of surveys that lead to future claims and the average level of payments made. This data is then used to form an expectation of the number of claims that will be raised based on the number of surveys performed by the group.

(d) Potential liabilities

As reported last year, an external party has instigated legal proceedings against Gascoigne Halman Limited, a subsidiary company, in relation to alleged breach of contract. Since the year end, the Court of Appeal has upheld the original Competition Appeals Tribunal ruling, relating to the competition elements of the case, in favour of the Claimant and the case will now proceed to the High Court to deal with the alleged contractual breach.

The Directors continue to believe that, on the balance of probabilities, its defence will ultimately succeed, and any liabilities not provided for in these financial statements will not be material. Consequently, provision has not been made in these financial statements for all future potential liabilities that may result from this matter. The Claimant has yet to quantify the damages they are seeking and therefore the assessment of any ultimate financial liability is inherently uncertain. However, the Directors estimate that the potential liability not provided in these financial statements to conclude this matter, should final judgement be received against the Group, may be in the region of £3m.

Group	**Property provisions £000**	**Insurance commission clawback £000**	**Professional indemnity obligations £000**	**Other £000**	**Total £000**
At 1 January 2018	3,004	7,744	4,163	364	15,275
Provisions made during the year	190	12,743	153	165	13,251
Released during the year	(20)	(24)	(219)	-	(263)
Provisions utilised in the year	(87)	(10,205)	(365)	(272)	(10,929)
At 31 December 2018	**3,087**	**10,258**	**3,732**	**257**	**17,334**
Due within one year or less	1,051	6,189	2,482	257	9,979
Due after more than one year	2,036	4,069	1,250	-	7,355
At 1 January 2017	3,491	4,947	6,749	168	15,355
Provisions made during the year	230	11,360	217	333	12,140
Released during the year	(531)	(8)	(2,045)	(56)	(2,640)
Provisions utilised in the year	(186)	(8,555)	(758)	(81)	(9,580)
At 31 December 2017	**3,004**	**7,744**	**4,163**	**364**	**15,275**
Due within one year or less	926	3,408	3,088	364	7,786
Due after more than one year	2,078	4,336	1,075	-	7,489

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Share capital

Group & Company **Allotted, called up and fully paid**	**Year ended 2018 £000**	**Year ended 2017 £000**
10,346,500 (2017: 10,346,500) 'A' ordinary shares of 0.01p each	1	1
2,105 (2017: 4,210) 'B' ordinary shares of 0.01p each	-	-
6,318 (2017: 12,634) 'C' ordinary shares of 0.01p each	-	-
6,316 (2017: 8,422) 'D' ordinary shares of 0.01p each	-	-
	1	1

The holders of 'A' ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The holders of 'B', 'C' and 'D' Ordinary shares are key members of management (including four Directors) who have entered into an agreement with the Group's parent company; Skipton Group Holdings Limited, which includes a put and call option on the 'B', 'C' and 'D' ordinary shares where the price to be paid is dependent on the long term profitability of the Group.

As at their dates of issue the fair value of the options, calculated by reference to the Company's forecast long term profitability, was considered to be equal to the consideration paid. The cost of the options is accounted for by Skipton Group Holdings Limited in accordance with IFRS 2 *Share Based Payment*.

During the year, the 'B', 'C' and 'D' ordinary shareholders (including four Directors, one of whom is the highest paid Director) exercised their options over 2,105 'B' ordinary shares, 6,316 'C' ordinary shares and 2,106 'D' ordinary shares. Consequently, Skipton Group Holdings Limited purchased these shares, which were immediately converted into 10,527 'A' ordinary shares in accordance with the Company's Articles of Association, for £9.8m. The Company then repurchased these 10,527 'A' ordinary shares for a consideration equal to their nominal value, £1, and immediately then cancelled the shares.

Management of capital

Capital is considered to be the share capital, share premium, retained earnings and other reserves.

	Group 31 December 2018 £000	**Company 31 December 2018 £000**	**Group 31 December 2017 £000**	**Company 31 December 2017 £000**
Capital				
Ordinary shares	1	1	1	1
Share premium	25,288	25,288	25,288	25,288
Capital redemption reserve	3,000	3,000	3,000	3,000
Retained earnings	101,117	74,597	111,890	87,960
	129,406	102,886	140,179	116,249

The Group is subject to Financial Conduct Authority (FCA) capital requirements which are monitored on a monthly basis and a formal submission sent to the FCA on a quarterly basis. The FCA's capital requirements are in place in order to cover the regulated activities of the Group.

The Group'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 Group is also subject to 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.

The Group manages the capital balance in order to ensure that an internal limit is not breached.

The Board considers that both external and internal capital requirements were met throughout the year.

The capital redemption reserve arose in 2007 when the Group purchased its own preference shares.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20. Related party transactions

Group

Entity	Related party relationship	Transaction type	Transaction amounts 2018 £000	Transaction amounts 2017 £000	Balance owing/(owed) 2018 £000	Balance owing/(owed) 2017 £000
Skipton Building Society	Parent Undertaking	Interest received	387	127	-	-
Skipton Building Society	Parent Undertaking	Interest payable	-	-	(2,168)	(2,066)
Skipton Building Society	Parent Undertaking	Administrative expenses	(2,190)	(1,911)	-	-
Skipton Building Society	Parent Undertaking	Commissions received	10,635	12,376	1,030	712
TM Group Limited	Joint Venture Partner	Dividend	1,444	1,618	-	-
Vibrant Energy Matters Limited	Joint Venture Partner	Purchase of goods & services	(2,166)	(2,459)	(2)	(2)
Legal Marketing Services Limited *	Joint Venture Partner	Sale of goods & services	-	644	-	15
TM Group Limited	Joint Venture Partner	Purchase of goods & services	(1,811)	(5)	-	-
TM Group Limited	Joint Venture Partner	Sale of goods and services	3,699	3,216	191	-
Hearthstone Investments Plc	Investment	Sale of goods and services	263	-	26	-

* The parent company of Legal Marketing Services Limited is Cybele Solutions Holdings Limited.

Company

Entity	Related Party relationship	Transaction Type	Transaction Amounts 2018 £000	Transaction Amounts 2017 £000	Balance Owing/(owed) 2018 £000	Balance Owing/(owed) 2017 £000
Skipton Building Society	Parent Undertaking	Interest receivable	158	53	-	-
Skipton Building Society	Parent Undertaking	Purchase of services	(2,176)	(2,101)	(2,168)	(2,066)
Other group companies		Purchase of services	(31,442)	(29,056)	4,325	4,130
Other group companies		Sale of services	33,815	31,350	(28,000)	(16,550)

Included in cash and cash equivalents for the Group is £36,750,000 (2017: £47,000,000), and for the Company £36,750,000 (2017: £47,000,000) of cash held on deposit with the Skipton Building Society. All transactions are at arm's length and are provided under normal trade credit terms.

During the year, the following transactions took place in relation to the Directors and their family members:

	Year ended 2018 £	Amount outstanding 31 December 2018 £	Year ended 2017 £	Amount outstanding 31 December 2017 £
Estate Agency fees, paid by Directors and Directors' family members	3,300	-	3,824	-
Lettings fees, paid by Directors and Directors' family members	8,479	-	8,054	-
Company Vehicle purchased by Directors' family member	-	-	2,650	-
Total	11,779		14,528	-

Lettings and estate agency fees paid by Directors were at rates available to all staff, all other transactions were on normal commercial terms.

Two Directors hold ordinary shares in Hearthstone Investments Plc, a Company in which the Group holds a 17.1% stake. At 31 December 2018 the two Directors hold 9.5% and 1.5% respectively (2017: 4.9% and 1.0%).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

21. Capital commitments and operating leases

Capital commitments at the year-end date for which no provision has been made were as follows:

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Motor vehicles	-	-	275	-
Other	796	-	88	-
Contracted but not provided for	796	-	363	-

The Group has commitments due under operating leases relating to land and buildings and other equipment. Total commitments under non-cancellable operating leases are as follows:

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Amounts falling due:				
Less than one year	11,188	270	11,214	21
Between one and five years	25,326	1,080	24,462	5
More than five years	16,807	714	17,194	-
	53,321	2,064	52,870	26

At the year end the Group had contracts with tenants for receipt of the following total lease payments under non-cancellable operating leases as follows:

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Amounts falling due:				
Less than one year	289	-	330	-
Between one and five years	530	-	583	-
More than five years	210	-	251	-
	1,029	-	1,164	-

22. Pensions

Defined benefit scheme

The Group operates a funded defined benefit arrangement scheme, the Connells (2014) Group Pension Scheme, which is accounted for within Connells Limited. The Scheme is closed to new members and to the future accrual of benefits.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, sets out the framework for funding defined benefit occupational pension schemes in the UK.

The Trustee of the Scheme is required to act in the best interest of the Scheme's beneficiaries. The appointment of the Trustee is determined by the Scheme's trust documentation.

A full actuarial valuation was carried out as at the date set out below in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the scheme is agreed between the Group and the Trustee in line with those requirements. These in particular require the deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions. The most recent actuarial valuation for the scheme showed the following:

Valuation date	Members	Deficit £000	Recovery period	Annual contribution £000
30 April 2017	1,077	44,955	7 years	2,880

Following the completion of the 2017 actuarial valuation, the Company agreed a revised deficit reduction plan by increasing the annual contributions to £2,880k per annum from 1 April 2018 and to contribute lump sums totalling £10m during 2018 and 2019 in order to accelerate the closing of the funding deficit.

Scheme expenses and levies to the Pension Protection Fund are payable by the Group as and when they are due and are accounted for within administrative expenses. For the purposes of IAS19 the actuarial valuation, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2018.

The assets of the Scheme are held in separate Trustee-administered funds. Contributions to the Scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22. Pensions (continued)

The main financial assumptions used to calculate Scheme liabilities under IAS19 are:

	2018 Group & Company	**2017 Group & Company**
Discount rate	2.85%	2.55%
Retail Price Inflation (RPI) rate	3.25%	3.25%
Consumer Price Inflation (CPI) rate	2.25%	2.25%
Increase to defined benefits during deferment (CPI link)	2.25%	2.25%
Increases to pension payment (CPI link)	1.83-2.27%	1.83%-3.63%

The most significant non-financial assumption is the assumed rate of longevity. For the year ended 31 December 2018, this has been based on mortality rates that are 100% of the S2PxA_L tables projected using CMI_2017 converging to 1.00% p.a. The tables adopted imply the following life expectancy:

Non-retired members

	2018	**2017**
Male retiring in the year	22.9 years	23.0 years
Female retiring in the year	23.9 years	24.0 years
Males retiring in 2033	23.9 years	23.8 years
Females retiring in 2033	25.1 years	24.9 years

Sensitivity analysis regarding the significant assumptions is disclosed in the critical judgements and estimates section.

The table below shows the net pension liability which is recognised in the Statement of Financial Position:

	Group & Company 2018 £000	**Group & Company 2017 £000**
Fair value of plan assets	68,866	74,168
Present value of defined benefit obligations	(116,187)	(122,611)
Net pension liability	**(47,321)**	**(48,443)**

The present value of Scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit credit method. The value calculated in this way is reflected in the net liability in the Statement of Financial Position as shown above. The projected unit credit method is a valuation method in which each potential cash flow from the schemes (e.g. annual pension payment, or potential lump sum payment on death) is multiplied by an assumed probability of payment and discounted between the valuation date and the time the payment is needed.

The table below sets out the reconciliation from the opening balance to the closing balance of the fair value of Scheme assets and present value of Scheme liabilities for the year:

	2018 Group & Company £000	**2017 Group & Company £000**
Fair value of assets at the start of the year	74,168	74,837
Return on plan assets (excluding amounts recognised in interest income)	(8,089)	2,215
Interest income	1,903	1,920
Ongoing deficit contributions	2,835	2,700
Lump sum contribution	2,800	-
Benefits paid	(4,751)	(7,504)
Fair value of assets at end of year	**68,866**	**74,168**

	2018 Group & Company £000	**2017 Group & Company £000**
Defined benefit obligation at start of the year	122,611	131,760
Interest cost	3,066	3,393
Actuarial gains	(6,467)	(5,038)
Benefits paid	(4,751)	(7,504)
Past service costs	1,728	-
Defined benefit obligation at end of year	**116,187**	**122,611**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22. Pensions (continued)

The past service costs relate to the estimated impact of Guaranteed Minimum Pension (GMP) equalisation.

The table also sets out the fair value of the Scheme assets by each major category:

	2018 Group & Company £000	2017 Group & Company £000
Diversified Growth Vehicles	41,086	62,456
Liability Driven Investments[1]	12,570	11,354
Cash	670	358
Equities	14,540	-
Total fair value of plan assets	68,866	74,168

[1] Liability Driven Investments ("LDI") are investments in assets which are expected to behave in a similar manner to liabilities and therefore aim to provide a better match against liability movements than conventional bonds or gilts.

The Scheme invests in an LDI fund to aim to provide protection against interest rate and inflation movements. The LDI fund aims to cover 50% of the interest rate sensitivity and 100% of the inflation sensitivity of the funded liabilities of the scheme on the scheme funding basis.

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group. All of the Scheme's assets have a quoted market price in an active market with the exception of the Trustee's bank account balance. It is the policy of the Trustee and the Group to review the investment strategy at the time of each funding valuation. The Trustee's investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the Scheme's Statement of Investment Principles.

The Scheme is exposed to the following investment risks:

- Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk: this comprises currency risk, interest rate risk and other price risk.
- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The main investment objective for the Trustee of the Scheme is to maintain a portfolio of suitable assets to meet, together with future contributions, the benefits payable under the Trust Deed and Rules as they fall due. The Scheme has exposure to investment risks because of the investments it makes to implement its investment strategy, as detailed in the Statement of Investment Principles.

The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and are monitored by the Trustee by regular reviews of the investment portfolios.

(i) Credit risk

The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments held in pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

The investment manager carries out own due diligence checks before a new pooled fund is invested in, and on an ongoing basis monitor any changes to the regulatory and operating environment of the underlying pooled investment managers.

Indirect credit risk arises in relation to underlying investments held in the LDI pooled investment vehicles, as well as DGF pooled investment vehicles due to the bond holdings within these funds.

The LDI funds use robust collateralisation management procedures so as to mitigate the impact of credit risk.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22. Pensions (continued)

(ii) Currency risk
The Scheme's assets are not subject to indirect currency risk because none of the Scheme's investments are held in overseas markets via pooled investment vehicles.

The Scheme does not take explicit unhedged positions in overseas investments through their investment strategy, either directly or indirectly via pooled investment vehicles.

The Diversified Growth Fund managers may from time to time take unhedged overseas investment positions in pursuit of growth opportunities or to reduce overall fund risk, although their neutral position is considered to be 100% Sterling.

(iii) Interest rate risk
The Scheme's assets are subject to indirect interest rate risk through their LDI pooled investment vehicles, as well as DGF pooled investment vehicles due to the bond holdings within these funds.

The Scheme's liabilities are exposed to a significant level of interest rate movement and for this reason it is desirable for the assets to be exposed to interest rate risk. The Scheme manages the interest rate risk by considering the net risk when taking account of the liabilities valued.

(iv) Other price risk
Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes DGFs held in pooled investment vehicles, as well as the LDI pooled investment vehicles due to the inflation sensitive elements of the fund. The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

The table below shows the expense recognised in the Income statement:

	2018 Group & Company £000	2017 Group & Company £000
Interest cost	1,163	1,473

The expense is recognised in the following lines in the Income statement:

	2018 Group & Company £000	2017 Group & Company £000
Finance costs	1,163	1,473

The table below sets out our best estimate, of the aggregate contributions expected to be paid to the Scheme during the year ending 31 December 2019:

	Group & Company 2019 £000
Ongoing deficit reduction contributions	2,880
Lump sum contributions	7,200
	10,080

Defined contribution schemes
The Group also operates a number of Group Personal Pension Schemes, the assets of which are held separately from those of the Group, as independently administered funds. The amount charged to the Income Statement in respect of defined contribution schemes is the contribution payable in the year and amounted to £4,061k (2017: £2,565k). There were no outstanding contributions (2017: £nil) at the end of the financial year.

23. Acquisitions

During the year, the Group acquired four small estate agency and/or lettings businesses for total consideration of £660k, of which £90k is deferred. Goodwill recognised was £75k. The revenue and pre-tax profit generated by these businesses in 2018 was £0.3 million and £0.1 million respectively.

During the prior year the Group acquired four businesses. The total consideration paid was £2.0 million and goodwill recognised was £0.8 million. The revenue and pre-tax profit generated by these businesses in 2017 was £0.5 million and £0.2 million respectively.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

24. 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 Group 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 Group and Company are not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Group's and Company's liquidity policy is to maintain sufficient liquid resources to cover imbalances and fluctuations in funding, to maintain solvency of the Group and Company and to enable the Group and 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

Group	Carrying amount £000	Contractual cash flows £000	In not more than one month £000	In not more than 3 months £000	In more than 3 months but not less than 1 year £000	In more than one year but not more than 5 years £000
Trade and other payables	62,194	62,194	47,859	-	6,985	7,350
Amounts owing to group companies	2,168	2,168	2,168	-	-	-
Total	**64,362**	**64,362**	**50,027**	**-**	**6,985**	**7,350**
Company						
Trade and other payables	13,446	13,446	3,995	-	6,985	2,466
Amounts owing to group companies	30,168	30,168	30,168	-	-	-
Total	**43,614**	**43,614**	**34,163**	**-**	**6,985**	**2,466**

2017

Group	Carrying amount £000	Contractual cash flows £000	In not more than one month £000	In not more than 3 months £000	In more than 3 months but not less than 1 year £000	In more than one year but not more than 5 years £000
Trade and other payables	49,137	49,137	34,178	-	5,616	9,343
Amounts owing to group companies	2,066	2,066	2,066	-	-	-
Total	**51,203**	**51,203**	**36,244**	**-**	**5,616**	**9,343**
Company						
Trade and other payables	13,068	13,068	2,455	-	5,616	4,997
Amounts owing to group companies	18,616	18,616	18,616	-	-	-
Total	**31,684**	**31,684**	**21,071**	**-**	**5,616**	**4,997**

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 Group and Company are not exposed to any currency risk as all transactions are denominated in Sterling.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

24. Financial instruments (continued)

Interest rate risk

The Group and Company have no interest bearing liabilities. The Group and Company are exposed to movements in interest rates on intercompany balances and on monies held on deposit with its ultimate parent undertaking, Skipton Building Society. This exposure is monitored on a continuous basis.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Based on historic default rates, the Group believes that no impairment provision is necessary in respect of most trade receivables not overdue or over due by up to 30 days. For maximum credit exposure see note 15. Management carefully manages its exposure to credit risk.

The Group's financial assets (excluding assets held at FVTPL) at the year end were as follows:

	2018 Group £000	2017 Group £000
Cash and cash equivalents	51,878	63,219
Trade receivables	26,923	26,687
Other receivables	4,582	2,902
Amounts due from ultimate parent undertaking	1,030	712
	84,413	93,520

As stated in note 15, 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 Group. The Group is exposed to credit risk from sales. It is Group policy to assess the credit risk of major new customers before entering contracts. The majority of customers use the Group's services as part of a housing transaction and consequently the sales are paid from the proceeds of the house sale. The majority of the commercial customers and the major lenders, customers of the Survey & Valuations and Asset Management businesses, are large financial institutions 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 three main types of customer:

	2018 Group £000	2017 Group £000
Individual customers	5,099	6,179
Major lenders	9,576	7,750
Other commercial customers	14,496	14,338
	29,171	28,267

The Group 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 Group'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 following table presents a breakdown of cash at bank and short term deposits by credit rating of the institution where it is held:

	2018 Group £000	2017 Group £000
A+	15,128	16,219
A-	36,750	47,000
	51,878	63,219

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and level of dividends to ordinary shareholders. There were no changes in the Group's or Company's approach to capital management during the year. The Group and Company are subject to FCA capital requirements as discussed in note 19.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

24. Financial instruments (continued)

Valuation techniques

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1
The most reliable fair values of financial instruments and assets held at FVTPL are quoted market prices in an actively traded market. Examples of these are gilts and sovereign debt.

Level 2
These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are quoted prices available for similar instruments in active markets. Examples of level 2 instruments are certificates of deposit and interest rate swaps.

Level 3
These are valuation techniques for which any one or more significant input is not based on observable market data. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's-length.

The tables below summarise the fair value measurement basis used for assets and liabilities held at fair value:

Financial Assets/ Liabilities	Quoted prices in active markets (level 1) £000	Valuation techniques using observable inputs (level 2) £000	Valuation techniques using significant unobservable inputs (level 3) £000	Total £000
Group and Company – 2018				
Quoted shares	63	-	-	63
Unquoted shares	-	-	725	725
Convertible loan note	-	-	250	250
Put option liabilities	-	(8,334)	-	(8,334)
Total	**63**	**(8,334)**	**975**	**(7,296)**
Group and Company – 2017				
Unquoted shares	-	-	439	439
Convertible loan note	-	-	250	250
Put option liabilities	-	(9,856)	-	(9,856)
Total	**-**	**(9,856)**	**689**	**(9,167)**

25. Ultimate parent undertaking

The Group's ultimate parent undertaking is Skipton Building Society, which is registered in the United Kingdom. The smallest and largest Group in which the results are consolidated is that headed by Skipton Building Society. A copy of the Skipton Building Society annual report and accounts into which the results of this Company are consolidated is available from:

The Secretary
Skipton Building Society
The Bailey
Skipton
North Yorkshire
BD23 1DN