CONNELLS RESIDENTIAL

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2010

(Registered Number 1489613)

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Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the Company is the provision of residential estate agency and associated services, and will continue to be so for the foreseeable future

Connells Residential is a private unlimited company incorporated in England & Wales, registered number 1489613

BUSINESS REVIEW

Overview of the business

Connells Residential provides estate agency, mortgage services and conveyancing services to participants in the residential property market The business operates from 154 branches under the Connells and Atkinson Stilgoe brands

2010 has seen a challenging housing market, with decreased transaction numbers compared to 2009, notably in the second half of the year Although the trading conditions remain uncertain the Company continues to be well positioned for the current economic climate

The Company has recorded a profit before tax of £12,028,000 (2009 £16,256,000) for the year Fees and commissions have reduced by 10% in 2010 to £54,912,000 from £60,722,000 in 2009

Set out below is an overview of the objectives of the business and the challenges it faces, as well as the key measures used to monitor the performance of the business

Objectives and strategy of the company

The Company's objectives are to maximise the long-term value and revenue for its shareholder and to deliver a high quality service to its participants in the residential property market

Operational performance and key performance indicators

The Directors monitor the business at monthly board meetings

Operational review

Estate agency

	2010 £000	2009 £000	Change %
Total fees and commissions	54,912	60,722	-10%
Total operating profit	13,511	16,315	-17%
Profit before tax	12,028	16,256	-26%
Total assets	44,812	49,115	-9%

Directors' Report *(continued)*

BUSINESS REVIEW (*continued*)

Risks and uncertainties

The Company's objective is to appropriately manage all the risks that arise from its activities Skipton Building Society, the ultimate parent company, has a formal structure for managing risks throughout the Group, which applies to all of its subsidiaries This has three elements

- First, we have documented our risk appetite in detailed policy risk statements, which are reviewed and approved annually by the Board There is a separate risk committee, which has responsibility for managing Connells Residential's risks

- Secondly, the primary responsibility for managing risk and ensuring controls are in place to manage risk lies with the Company's management Skipton Building Society, the ultimate parent company, has a risk management function which covers the Company's risks Their role is to provide a monitoring and oversight role in relation to these

- Finally the Skipton Group Board Audit Committee, through the internal audit department, monitors the effectiveness of the risk management framework

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

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

DIVIDENDS

During the year an interim dividend of £4,000,000 was paid (2009 £5,000,000) The Directors do not recommend payment of a final dividend (2009 £nil)

DIRECTORS

The Directors who served during the year were

RS Shipperley
DC Livesey
AS Gill
SE Flavell
MJ Oliver

CREDITOR PAYMENT POLICY

The Company's policy concerning the payment of suppliers is to agree terms of payment in advance and to pay according to those agreed terms and any other legal obligations At the year end, there was an average of 28 days' purchases outstanding (2009 28 days)

CHARITABLE AND POLITICAL DONATIONS

During the year the Company made no donations to charities (2009 £nil) No contributions were made for political purposes (2009 £nil)

MARKET VALUE OF LAND AND BUILDINGS

The Directors consider that the overall market value of the Company's freehold and leasehold properties is in excess of the book value In arriving at this view the Directors have taken account of internal and external valuations of the Company's property portfolio

EMPLOYEES

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

Directors' Report *(continued)*

DISABLED PERSONS

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

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the board

MJ Oliver
Director

18 February 2011

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

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

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONNELLS RESIDENTIAL

We have audited the financial statements of Connells Residential for the year ended 31 December 2010 set out on pages 8 to 29 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

P D Selvey (Senior Statutory Auditor) for and on behalf of KPMG Audit Plc, Statutory Auditor

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

21 February 2011

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Year ended 2010 £000	Year ended 2009 £000
Revenue	1	54,912	60,722
Other operating income	3	2,136	201
Administrative expenses		(43,453)	(43,575)
Other operating expenses	4	(84)	(1,033)
Profit from operations		**13,511**	**16,315**
Financial income	5	2,658	2,437
Finance costs	6	(4,141)	(2,496)
Profit before tax		**12,028**	**16,256**
Tax expense	8	(3,850)	(4,911)
Profit for the year		**8,178**	**11,345**
Attributable to			
Equity holders of the parent		8,178	11,345
		8,178	**11,345**

In both the current and preceding year the company made no material acquisitions and had no discontinued operations

The income statement is prepared on an unmodified historical cost basis

The notes on pages 13 to 29 form part of these financial statements

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Year ended 2010 £000	Year ended 2009 £000
Profit for the financial year		**8,178**	**11,345**
Other comprehensive income			
Actuarial gain/(loss) on retirement benefit obligations	20	1,855	(4,101)
Tax on items taken directly to or transferred from equity			
- actuarial gain/loss on retirement benefit obligations	14	(709)	698
- other		60	450
Other comprehensive income for the year (net of tax)		**1,206**	**(2,953)**
Total comprehensive income for the year		**9,384**	**8,392**
Total comprehensive income attributable to			
Equity holders of the parent		**9,384**	**8,392**

Statement of Financial Position

AT 31 DECEMBER 2010

	Notes	£000	31 December 2010 £000	£000	31 December 2009 £000
Current assets					
Trade and other receivables	10	28,541		28,370	
Cash and cash equivalents		3,293		7,221	
Total current assets			31,834		35,591
Non-current assets					
Intangible assets	11	1,241		1,349	
Property, plant and equipment	12	7,613		7,277	
Investment property	13	108		110	
Deferred tax assets	14	4,016		4,788	
Total non-current assets			12,978		13,524
Total assets			**44,812**		**49,115**
Current liabilities					
Trade and other payables	15	7,880		12,497	
Tax payable		1,408		2,397	
Total current liabilities			9,288		14,894
Non-current liabilities					
Retirement benefit obligation	20	13,031		15,099	
Long-term provisions for liabilities	16	2,830		4,843	
Total non-current liabilities			15,861		19,942
Total liabilities			25,149		34,836
Equity – attributable to equity holders of the parent					
Share capital	17	6,347		6,347	
Retained earnings		13,316		7,932	
Total equity			19,663		14,279
Total equity and liabilities			**44,812**		**49,115**

These accounts were approved by the Board of Directors on 18 February 2011 and signed on its behalf by

AS Gill
Director

MJ Oliver
Director

Company registration number 1489613

The notes on pages 13 to 29 form part of these accounts

Statement of Changes in Equity

	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2010	6,347	7,932	14,279
Total comprehensive income for the year	-	9,384	9,384
Dividends paid	-	(4,000)	(4,000)
Balance at 31 December 2010	**6,347**	**13,316**	**19,663**
Balance at 1 January 2009	6,347	4,540	10,887
Total comprehensive income for the year	-	8,392	8,392
Dividends paid	-	(5,000)	(5,000)
Balance at 31 December 2009	**6,347**	**7,932**	**14,279**

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Year ended 2010 £000	Year ended 2009 £000
Cash flows from operating activities			
Profit for the year		8,178	11,345
Adjustments for			
Depreciation and amortisation charges		1,587	1,741
Losses on disposal of tangible assets		6	32
Financial income	5	(2,658)	(2,437)
Interest expense	6	2,825	2,496
Tax expense	8	3,850	4,911
Operating profit before changes in working capital and provisions		**13,788**	**18,088**
Decrease in pension deficit		(578)	(714)
Increase in trade and other receivables		(171)	(10,614)
(Decrease)/Increase in trade payables		(4,617)	3,828
(Decrease)/Increase in provisions		(2,013)	383
Cash generated from operations		**6,409**	**10,971**
Interest paid		(2)	-
Taxes paid		(4,716)	(2,851)
Net cash inflow from operating activities		**1,691**	**8,120**
Cash flows from investing activities			
Investment income	5	200	334
Proceeds on disposal of property, plant and equipment		130	448
Purchase of intangibles	11	-	(46)
Purchases of property, plant and equipment	12	(1,949)	(324)
Net cash (outflow)/inflow from investing activities		**(1,619)**	**412**
Cash flows from financing activities			
Dividends paid	9	(4,000)	(5,000)
Net cash outflow from financing activities		**(4,000)**	**(5,000)**
Net (decrease)/increase in cash and cash equivalents		(3,928)	3,532
Cash and cash equivalents at 1 January		7,221	3,689
Cash and cash equivalents at 31 December		**3,293**	**7,221**

The notes on pages 13 to 29 form part of these accounts

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Connells Residential (the "Company") is a company incorporated and domiciled in the UK The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the company accounts

a) Basis of accounting

The Financial Statements are presented in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the EU and effective at 31 December 2010

The Directors have adopted IFRS 3, Business Combinations (Revised) and IAS 27, Consolidated and Separate Financial Statements (2008), and Eligible Hedged Items (Amendment to IAS 39, Financial Instruments Recognition and Measurement) There is no impact on these financial statements on adopting these accounting standards

Measurement convention

These financial statements are prepared on the historical cost basis

Currency presentation

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 3 The financial position of the Company, its cash flows, and liquidity position are shown on pages 8 to 12 In addition, the Directors Report and notes to these financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk

The Company has considerable financial resources, as a consequence, the Directors believe that the company is well placed to manage its financial risks successfully despite the current uncertain economic outlook

The Directors believe that the Company has adequate resources to continue to operate for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

b) Revenue recognition

Revenue, which excludes value added tax, represents total invoiced sales of the Company

Estate agency sales commissions for second hand, new homes, land sales and auction income are recognised on the date contracts are exchanged Revenue from home information packs is recognised when the home information pack is provided Property management income is recognised on cleared cash funds Mortgage Services income is recognised when cash is received Insurance commission income is recognised upon fulfilment of contractual obligations with a provision for future clawback repayment in the event of early termination by the customer

c) 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 over their estimated useful lives on the following bases

Fixtures and fittings	-	5 to 10 years
Office equipment	-	3 to 5 years
Motor vehicles	-	25% of net book value
Leasehold premises	-	Over the unexpired term of the lease in equal instalments
Freehold buildings	-	50 years

All depreciation is charged on a straight-line basis, except motor vehicles, which is calculated on a reducing balance basis

d) 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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1 Accounting policies (continued)

d) Goodwill (continued)

In accordance with IFRS 3, *Business Combinations*, goodwill is not amortised but is tested for impairment at each year end date or when there is an indication of impairment

The recoverable amount of goodwill is determined as the higher of its fair value less costs to sell and its value in use The value in use calculations are carried out by discounting the future cash flows of the cash generating unit ("CGU"), usually a subsidiary undertaking, and comparing this to its value in use Future cash flows are based upon approved profit budgets for the next three years (adjusted for depreciation and amortisation) and assumed growth thereafter for the next 12 years at 2 5% (2009 2 0%) The Company estimates discount rates based on a current cost of capital of the business Impairment of goodwill is recognised where the present value of future cash flows of the business is less than its carrying value A fifteen year time horizon has been used to reflect that businesses are held for the long term

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount 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 An impairment loss in respect of goodwill is not reversed On the sale of a business, 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 would be recognised directly in the Income Statement

e) Intangible assets

Intangible assets include 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

Software and Databases - 3 to 5 years

f) 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

g) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both Investment properties are stated at cost less accumulated depreciation The cost model is used to value the investment properties, and amortisation is charged on a straight-line basis

Freehold buildings - 50 years

h) Trade and other receivables

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

i) Trade and other payables

Trade and other payables are stated at their fair value

j) 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 equity, in which case the associated income tax asset or liability is recognised via equity

Current tax is the expected tax payable on the income for the year, using tax rates enacted or substantially enacted on the year end date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided using the Statement of Financial Position liability method, which recognises temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes It is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the year end

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1 Accounting policies (continued)

k) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan The Company's net obligation in respect of the defined benefit pension plan 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 year end date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to, the terms of the company's obligations The calculation is performed by a qualified actuary using the projected unit credit method When the calculation results in a benefit to the company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements

All actuarial gains and losses as at 1 January 2004, the date of transition to Adopted IFRSs, were recognised In respect of actuarial gains and losses that arise subsequent to 1 January 2004 the Company recognises them in the period they occur directly into equity through the Statement of Comprehensive Income The Company operated a funded defined benefit pension scheme, administered by a Trustee, the funds of which are held separately from those of the Company This scheme was closed for future service accrual from 31 December 2008 Contributions are transferred to the Trustee on a regular basis to secure the benefits provided under the rules of the scheme

Certain employees of the Company are members of the Skipton Building Society group defined benefit scheme, which is administered by a Trustee and whose assets are separate from those of the Society and its subsidiaries Contributions are transferred to the Trustee on a regular basis to secure the benefits provided under the rules of the scheme The amount of contribution is a set percentage of the employees pensionable salary cost This scheme was closed for future service accrual from 1 January 2010 The net defined benefit cost of the plan is recognised fully by Skipton The Company then recognises a cost equal to its contribution payable for the year, as it is not possible to separately identify the costs of those members who work for Connells Residential

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 Company 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

l) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash comprises cash in hand and loans and advances to credit institutions repayable on demand, and cash and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less The Statement of Cash Flows has been prepared using the indirect method

m) Provisions for liabilities and charges

A provision is recognised in the Statement of Financial Position when the Company 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 If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects market assessments of the time value of money and, if appropriate, the risks specific to the liability

n) Net financing costs

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2 Expenses and auditors' remuneration

	Year ended 2010 £000	Year ended 2009 £000
Included in profit are the following		
Depreciation of property, plant and equipment	1,477	1,617
Depreciation of investment property	2	2
Amortisation of intangibles	108	122
Impairment loss on trade receivables	281	515
Staff costs (see note 7)	32,153	30,611
Rentals payable under operating leases		
- Plant & machinery	21	9
- Other	3,140	3,155
Auditor's remuneration and expenses		
Audit of these financial statements	28	28
All other services	1	26

3 Other operating income

	Year ended 2010 £000	Year ended 2009 £000
Rents receivable under operating leases	222	201
Decrease in provisions	1,914	-
	2,136	201

4 Other operating expenses

	Year ended 2010 £000	Year ended 2009 £000
Increase in provisions	78	1,001
Net loss on disposal of property, plant and equipment	6	32
	84	1,033

5 Financial income

	Year ended 2010 £000	Year ended 2009 £000
Interest on bank deposits	26	109
Interest receivable from ultimate parent undertaking	34	131
Interest receivable from other group undertakings	109	94
Other interest	31	-
Expected return on pension assets (see note 20)	2,458	2,103
	2,658	2,437

6 Finance costs

	Year ended 2010 £000	Year ended 2009 £000
Interest payable on pension liabilities (see note 20)	2,823	2,496
Other interest	2	-
Other non-operating costs	1,316	-
	4,141	2,496

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7 Staff numbers and costs

The average monthly number of persons employed by the company (including Directors) during the year was as follows

	Year ended 2010 No	Year ended 2009 No
Directors	5	5
Other	1,211	1,058
	1,216	1,063

The aggregate payroll costs of these persons was as follows	£000	£000
Wages and salaries	28,915	27,405
Social security costs	2,958	2,906
Other pension costs	280	300
	32,153	30,611

Directors' emoluments	£000	£000
Directors' emoluments	1,438	2,142
Company contributions to defined contribution pension schemes	40	26
	1,478	2,168

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £405,799 (2009 highest paid director £651,619) Included within this total is £10,000 (2009 £nil) of contributions to defined contribution pension schemes He is a deferred member of the defined benefit pension scheme, under which is accrued pension at the 2009 year end was £72,352, no further payments have been made into the defined benefit scheme

	Year ended 2010 No	Year ended 2009 No
Retirement benefits are accruing to the following number of Directors under		
Defined contribution schemes	4	4
Defined benefit schemes	-	-

8 Tax expense

a) Analysis of expense in the year at 28% (2009 28%)	Year ended 2010 £000	Year ended 2009 £000
Current tax expense		
Current tax at 28% (2009 28%)	3,816	4,933
Adjustment for prior years	(29)	38
Total current tax	3,787	4,971
Deferred tax expense		
Origination and reversal of temporary differences	36	(52)
Adjustment in respect of prior years	27	(8)
Total deferred tax	63	(60)
Tax expense	3,850	4,911

b) Factors affecting current tax expense in the year

The charge for the year can be reconciled to the profit per the income statement as follows

Profit before tax	12,028	16,256
Tax on profit at UK standard rate of 28% (2009 28%)	3,368	4,552
Effects of		
Income not taxable for tax purposes	(4)	-
Expenses not deductible for tax purposes	470	329
Adjustment to tax expense in respect of prior periods	(2)	30
Effects of other tax rates	18	-
Tax expense	3,850	4,911

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9 Dividends

	Year ended 2010 £000	Year ended 2009 £000
Amounts recognised as distributions to equity holders in the year		
Interim dividend for the year ended 31 December 2010 of £0 63 (2009 £0 78) per share	4,000	5,000
	4,000	5,000

10 Trade and other receivables

	2010 £000	2009 £000
Trade receivables	5,095	7,037
Amounts due from group companies	21,639	17,408
Other receivables	250	284
Prepayments and accrued income	3,614	5,809
Bad debt provision	(2,057)	(2,168)
	28,541	28,370

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

	2010 £000 Gross	2010 £000 Impairment	2009 £000 Gross	2009 £000 Impairment
Overdue 0 – 30 days	1,790	(44)	2,553	(74)
Overdue 31 – 120 days	1,730	(425)	2,252	(553)
Overdue 120 days plus	1,575	(1,588)	2,232	(1,541)
	5,095	(2,057)	7,037	(2,168)

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

	Year ended 2010 £000	Year ended 2009 £000
At 1 January	(2,168)	(2,140)
Provision made during the year	(281)	(515)
Receivables written off during the year	392	487
At 31 December	(2,057)	(2,168)

11 Intangible assets

	Goodwill £000	Software and Databases £000	Total £000
Cost			
At 1 January 2010	1,369	777	2,146
Additions	-	-	-
At 31 December 2010	1,369	777	2,146
Amortisation and impairment losses			
At 1 January 2010	253	544	797
Amortisation for the year	-	108	108
At 31 December 2010	253	652	905
Carrying amounts			
At 1 January 2010	1,116	233	1,349
At 31 December 2010	1,116	125	1,241

All amortisation charges in the year have been charged through administrative expenses

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11 Intangible assets (continued)

	Goodwill £000	Software and Databases £000	Total £000
Cost			
At 1 January 2009	1,369	731	2,100
Acquisitions	-	46	46
At 31 December 2009	1,369	777	2,146
Amortisation and impairment losses			
At 1 January 2009	253	422	675
Amortisation for the year	-	122	122
At 31 December 2009	253	544	797
Carrying amounts			
At 1 January 2009	1,116	309	1,425
At 31 December 2009	1,116	233	1,349

All amortisation charges in the year have been charged through administrative expenses

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU's) that are expected to benefit from that business combination The only CGU is the Estate Agency Business Before recognition of impairment losses, the cost of goodwill has been allocated to this CGU

The recoverable amounts of the CGU's are determined from value in use calculations The key assumptions for the value in use calculations are those regarding the cash flows, discount rates and growth rates

The Company prepares cash flow forecasts on the assumption that the businesses are held for long-term investment The cash flows are derived from the most recent financial budgets for the next three years, which take into account the risks inherent in the businesses, and extrapolate cash flows for subsequent years (up to an additional 12 years) based on a long-term growth rate of 2 5 % (2009 2 0%)

The Company estimates discount rates based on the current cost of capital adjusted for the risks inherent in each cash generating unit of 11% (2009 10%)

At 31 December 2010, impairment of £253,000, (2009 £253,000) was allocated to the Estate Agency Businesses

12 Property, plant and equipment

	Land and Buildings £000	Office Equipment £000	Motor Vehicles £000	Total £000
Cost				
At 1 January 2010	7,488	14,808	3,763	26,059
Additions	53	1,354	542	1,949
Disposals	(69)	(75)	(510)	(654)
At 31 December 2010	7,472	16,087	3,795	27,354
Accumulated depreciation and impairment				
At 1 January 2010	3,382	13,085	2,315	18,782
Depreciation charge for the year	193	873	411	1,477
Eliminated on disposals	(69)	(75)	(374)	(518)
At 31 December 2010	3,506	13,883	2,352	19,741
Carrying amounts				
At 1 January 2010	4,106	1,723	1,448	7,277
At 31 December 2010	3,966	2,204	1,443	7,613

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12 Property, plant and equipment (continued)

	Land and Buildings £000	Office Equipment £000	Motor Vehicles £000	Total £000
Cost				
At 1 January 2009	7,793	14,608	4,502	26,903
Additions	82	218	24	324
Disposals	(387)	(18)	(763)	(1,168)
At 31 December 2009	**7,488**	**14,808**	**3,763**	**26,059**
Accumulated depreciation and impairment				
At 1 January 2009	3,262	12,199	2,392	17,853
Depreciation charge for the year	208	904	505	1,617
Eliminated on disposals	(88)	(18)	(582)	(688)
At 31 December 2009	**3,382**	**13,085**	**2,315**	**18,782**
Carrying amounts				
At 1 January 2009	4,531	2,409	2,110	9,050
At 31 December 2009	**4,106**	**1,723**	**1,448**	**7,277**

13 Investment Property

	Year ended 2010 £000	Year ended 2009 £000
Cost		
At 1 January	137	137
At 31 December	**137**	**137**
Accumulated depreciation		
At 1 January	27	25
Charge for the year	2	2
At 31 December	**29**	**27**
Carrying amount		
At 1 January	110	112
At 31 December	**108**	**110**

The market value of the above properties is £435,000 (2009 £460,000) The estimated market value of the property was determined by an appropriately qualified internal valuer in accordance with RICS Appraisal and Valuation standards

The investment property is a commercial property that is leased to a third party

14 Deferred tax

Deferred taxes are calculated on timing differences under the liability method using an effective tax rate of 27% (2009 28%) as this is the enacted rate that is expected to apply when the temporary differences reverse

The movement on the deferred tax account is as shown below

	Year ended 2010 £000	Year ended 2009 £000
At 1 January	4,788	4,030
Income Statement (credit)/charge	(63)	60
(Credit)/charge in Statement of Comprehensive Income	(709)	698
At 31 December	**4,016**	**4,788**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14 Deferred tax (continued)

Deferred tax assets	**Pension Obligations £000**	**Other £000**	**Total £000**
At 1 January 2010	4,227	561	4,788
Charged to Income Statement	-	(63)	(63)
Charged in Statement of Comprehensive Income	(709)	-	(709)
At 31 December 2010	3,518	498	4,016

Net deferred tax assets	**Pension Obligations £000**	**Other £000**	**Total £000**
At 1 January 2010	4,227	561	4,788
At 31 December 2010	3,518	498	4,016

The deferred tax asset provided above excludes any relief due in respect of one off payments to the pension scheme as the relief for these payments will be received over a number of years

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 payables

	Year ended 2010 £000	**Year ended 2009 £000**
Trade and other payables	4,291	8,090
Amounts owed to ultimate parent undertaking	165	501
Amounts owed to group undertakings	192	189
Accruals and deferred income	3,232	3,717
	7,880	12,497

16 Provisions

	Dilapidations £000	**Lease cost of closed branches £000**	**Insurance commission clawback £000**	**Total £000**
Balance at 1 January 2010	1,058	873	2,912	4,843
Charged during the year	365	74	-	439
Released during the year	-	(2)	(1,912)	(1,914)
Provisions used during the year	(287)	(251)	-	(538)
Balance at 31 December 2010	1,136	694	1,000	2,830
Balance at 1 January 2009	763	1,178	2,519	4,460
Charged during the year	381	-	686	1,067
Released during the year	-	(66)	-	(66)
Provisions used during the year	(86)	(239)	(293)	(618)
Balance at 31 December 2009	1,058	873	2,912	4,843

All provisions are classed as non-current The dilapidations 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 Company no longer utilises the property during the course of its business operation 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 Provision for insurance commission clawback is estimated based upon anticipated cancellation rates of term insurance policies

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17 Share capital	**Year ended 2010 £000**	**Year ended 2009 £000**
Allotted, called up and fully paid		
6,347,000 ordinary shares of £1 each	6,347	6,347
	6,347	**6,347**

The concept of authorised share capital was abolished under the UK Companies Act 2006 with effect from 1 October 2009 and consequential amendments to the Company's Articles of Association were approved by shareholders at the 2009 Annual General Meeting

Management of capital

Capital is considered to be the audited profit and loss reserve and ordinary share capital in issue

	Year ended 2010 £000	**Year ended 2009 £000**
Capital		
Ordinary shares	6,347	6,347
Retained earnings	13,316	7,932
	19,663	**14,279**

The Company objectives when managing capital are

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

The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act, with which it complies

The period end capital position is reported to the Operational Board on a monthly basis The capital position is also given due consideration when corporate plans are prepared The Company manages the capital balance in order to ensure that an internal limit is not breached

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18 Related party transactions

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

	2010			2009		
	Ultimate parent undertaking £000	**Parent undertaking £000**	**Other group company £000**	**Ultimate parent undertaking £000**	**Parent undertaking £000**	**Other group company £000**
a) Net interest						
Interest receivable	34	-	109	131	-	94
Interest payable	-	-	-	-	-	-
Total	34	-	109	131	-	94
b) Sales of goods and services						
Estate agency services	215	-	822	363	-	2,161
Shared service recharges	-	-	1,695	-	-	1,820
Administration charges	-	-	25	-	-	27
Search fees	-	-	403	-	-	383
Total	215	-	2,945	363	-	4,391
c) Purchase of goods and services						
Shared service recharges	-	500	3,325	-	500	2,375
Asset management	-	-	-	13	-	13
Administration charges	954	-	-	1,045	-	-
Energy performance certificates	-	-	50	-	-	-
Surveys	-	-	556			494
Total	954	500	3,931	1,058	500	2,882
d) Outstanding balances						
Receivables from related parties	-	10,555	11,084	-	10,311	7,097
Payables to related parties	(165)	-	(192)	(501)	-	(189)
Total	(165)	10,555	(10,892)	(501)	10,311	6,908

There are no provisions in respect of goods and services to Related Parties, either at 31 December 2010 or at 31 December 2009

Included in cash and cash equivalents is £5,000,000 (2009 £4,500,000) of cash held on deposit with the Skipton Building Society All transactions are dealt with on normal credit terms

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19 Capital commitments

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

	Year ended 2010 £000	Year ended 2009 £000
Other	13	217
Motor vehicles	285	197
Commitments contracted but not provided for	298	414

The Company has commitments due under operating leases in respect of rent payable on land and buildings Total commitments under these non-cancellable operating leases are as follows

	2010 £000	2009 £000
Amounts falling due		
Less than one year	2,889	2,872
Between one and five years	7,926	8,234
More than five years	3,713	4,057
	14,528	15,163

Property rental income earned from investment properties during the year was £5,000 (2009 £5,000) At the year end the Company had contracts with tenants for the following total lease payments under non-cancellable operating leases as follows

	Year ended 2010 £000	Year ended 2009 £000
Amounts falling due		
Less than one year	5	5
Between one and five years	-	-
More than five years	-	-
	5	5

20 Pensions

Defined benefit scheme

The company had a funded defined benefit arrangement, which is now closed to new members and to the future accrual of benefits, The Connells Limited Pension & Life Assurance Scheme ("the Connells Scheme")

The Scheme provides benefits based on final salary for employees (although for benefits accruing after 30 April 2006 for the Connells Scheme Career Average Revalued Earnings applies) The Connells Scheme closed to future accrual of benefits from 31 December 2008 at which point all active members left pensionable service and became entitled to deferred benefits

The assets of the Scheme are held in a separate Trustee-administered fund Contributions to the Scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method The company's policy for recognising actuarial gains and losses is to recognise them immediately on the Statement of Financial Position through the Statement of Comprehensive Income The aggregate cost of the Scheme is recognised in accordance with IAS 19 (Amended) The Company accounts for the Scheme on the basis of contributions paid by it

A qualified independent actuary carried out the last full actuarial valuation of the scheme at 30 April 2008

The main financial assumptions used to calculate scheme liabilities under IAS19 are

	2010 %	2009 %
Discount rate	5 50%	5 75%
Retail Price Inflation rate	3 50%	3 50%
Consumer Price Inflation rate	3 00%	N/A
Increase to defined benefits during deferment		
RPI link	3 50%	3 50%
CPI link	2 00%	N/A
Increases to pension payment		
RPI link	2 40-3 80%	2 40-3 80%
CPI link	2 40-3 30%	N/A
Salary increases	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20 Pensions (continued)

The most significant non-financial assumption is the assumed rate of longevity For the year ending 31 December 2010, this has been based on mortality rates that are 105% of the PNMA00 tables for males (or PNFA00 tables for females) with an allowance for projected improvements in mortality in line with long cohort improvements This is the same mortality assumption used as at 31 December 2009 The tables adopted assume that, when a member who is fifteen years from retirement reaches age 65, the life expectancy from age 65 is as follows

Non-retired members

	2010	2009
Males	24 1 years	24 years
Females	26 3 years	26 3 years

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

	2010 £000	2009 £000
Fair value of plan assets	37,898	34,524
Present value of defined benefit obligations	(50,929)	(49,623)
Net pension liability	**(13,031)**	**(15,099)**

As all actuarial gains and assets are recognised, the deficits shown above are recognised in the Statement of Financial Position

The table below sets out the reconciliation of the fair value of scheme assets for the year

	2010 £000	2009 £000
Fair value of assets at the start of the year	34,524	29,236
Expected return on assets	2,458	2,103
Actuarial gain	1,399	3,081
Contributions by employer	578	717
Contributions by plan participants	-	64
Benefits paid	(1,061)	(677)
Fair value of assets at end of year	37,898	34,524

The table below sets out the reconciliation of the present value of the defined benefit obligation for the year

	2010 £000	2009 £000
Defined benefit obligation at start of the year	49,623	40,558
Current service cost	-	-
Interest cost	2,823	2,496
Contributions by plan participants	-	64
Actuarial (loss)/gain	(456)	7,182
Benefits paid	(1,061)	(677)
Defined benefit obligation at end of year	50,929	49,623

The difference between the expected return and the actual return on scheme assets is recognised in the Statement of Comprehensive Income and is reconciled below

	2010 £000	2009 £000
Actual return on pension assets	3,857	5,184
Expected return on assets	(2,458)	(2,103)
Actuarial gain on assets	**1,399**	**3,081**

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i e equities and bonds) The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available), and the views of the investment organisations

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20 Pensions (continued)

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

	2010 Long term rate of return expected %	**2010 £000**	2009 Long term rate of return expected %	**2009 £000**
Equities	7 95	24,214	8 25	22,516
Property	6 25	1,286	6 55	1,377
Corporate Bonds	5 50	4,264	5 75	3,914
Government Bonds	4 20	6,044	4 50	6,633
Cash	3 00	2 090	3 00	84
Total fair value of plan assets		37,898		34,524

The actual return on scheme assets over the year ended 31 December 2010 was estimated at 11 3%

The table below shows the expense recognised in the Income Statement

	2010 £000	**2009 £000**
Current service costs	-	-
Interest cost	2,823	2,496
Expected return on assets	(2,458)	(2,103)
Expense recognised in Income Statement	365	393

The expense is recognised in the following lines in the Income Statement	**2010 £000**	**2009 £000**
Administrative expenses	-	-
Finance costs	2,823	2,496
Financial income	(2,458)	(2,103)
	365	393

The table below sets out the actuarial gains and losses with have been recognised within the Statement of Comprehensive Income

	2010 £000	**2009 £000**	**2008 £000**	**2007 £000**	**2006 £000**
Experience gains/(losses) on scheme assets	1,399	3,081	(9,806)	(489)	750
Experience gains/(losses) on defined benefit obligation	160	(107)	355	90	-
Gains/(losses) from changes in assumptions	296	(7,075)	3,549	4,753	1,645
Total gains/(losses) recognised in Statement of Comprehensive Income during the year	1,855	(4,101)	(5,902)	4,354	2,395
Cumulative actuarial losses recognised in Statement of Comprehensive Income at the end of the year	(9,883)	(11,738)	(7,637)	(1,735)	(6,089)

As a result of changes in Government legislation, where there is no legal or constructive obligation to pay RPI increases on certain benefits of the Company's schemes, these are now linked to increases in the CPI rather than the RPI This has resulted in a reduction in liabilities of around £2 9m for the Company at 31 December 2010 which was recognised in equity The impact of this is shown in the gains / (losses) from changes in assumptions caption above

The present value of the defined benefit obligation and the fair value of the scheme assets are as follows

	2010 £000	**2009 £000**	**2008 £000**	**2007 £000**	**2006 £000**
Fair value of plan assets	37,898	34,524	29,236	35,172	33,577
Present value of defined benefit obligations	(50,929)	(49,623)	(40,558)	(45,139)	(48,215)
Net pension liability	(13,031)	(15,099)	(11,322)	(9,967)	(14,638)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20 Pensions (continued)

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 2011

	2011 £000
Estimated employer contributions	578
Estimated employee contributions	-
	578

The Company is taking action to reduce risk in relation to its pension scheme and to address the pension scheme deficit As part of this work, the Company initiated a number of exercises in 2010, including an early retirement exercise and an enhanced pension transfer exercise The enhanced transfer exercise gave members the opportunity to transfer their benefits out of the scheme to other registered pension arrangement The offer enhanced the standard transfer values available to members and allowed members to take this enhancement as either an enhanced transfer value into a new pension arrangement or as a cash payment to the member

The enhanced pension transfer exercise was made to eligible deferred members in the Scheme Offer letters were issued to members before the end of the year which gave members a 12 week offer period, ending in February 2011, in which to take up the offer In accordance with IAS19, the offer is recognised on settlement of the transaction, when an eligible member accepts the offer and a transfer is made

At the year end no transfers had been made and the offer period was still open If 50% of members took up the offer this would result in transfer payments of £2 5m being paid by the pension schemes with a further enhancement of £0 6m being paid by the Company in total The IAS19 liability would reduce by £3 1m with an expected reduction in the deficit of £0 6m and £0 1m charge to the income statement

Defined contribution schemes

The Company also operates a defined contribution pension scheme and stakeholder scheme, the assets of which are held separately from those of the Company, in 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 £280,000 (2009 £300,000) There were no outstanding or prepaid contributions at either the beginning or end of the financial year

21 Accounting estimates and judgements

The Company makes estimates and assumptions regarding the future The resulting accounting estimates will, by definition, seldom equal the related actual results The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below

- Employee benefits – in conjunction with its actuaries the Company makes key financial assumptions which are used in the actuarial valuation of the defined benefit pension obligation and, therefore, changes to these assumptions have an impact on the defined pension obligation, service cost and expected return on plan assets These assumptions include the inflation and discount rates, the expected return on plan assets and the rate of increase in pension's payment, see note 20 for further details on these assumptions

  One key assumption is the discount rate used to discount future plan liabilities where currently a 0 25% increase in the discount rate would reduce the pension obligation by £2 3m and vice versa Another key assumption surrounds mortality rates where a one year increase in expected lives would increase the pension obligation by £1 0m and vice versa

- Accounting policies – certain critical judgments have been made in applying the Company's accounting policies in relation to closed branch and onerous lease provisions (Note 16), provisions for clawback of insurance commission and impairment provisions on trade receivables (note 10)

- Impairment testing – the recoverable amounts of cash generating unit's are determined from value in use calculations The key assumptions for the value in use calculations are those regarding the cash flows, discount rates and growth rates The Company prepares cash flow forecasts on the assumption that the business is held for long-term investment The cash flows are derived from the most recent financial budgets for the next three years, which take into account the risks inherent in the businesses, and extrapolate cash flows for subsequent years (up to an additional 12 years) based on long-term growth rate of 2 5% (2009 2 0%) The Company estimates discount rates based on the current cost of capital adjusted for the risks inherent in its subsidiaries The discount rate used in 2010 was 11% (2009 10%)

- Investment property – the Company has sublet vacant properties (see provisions for onerous contracts) but has decided not to treat the properties as investment properties because it is not the intention to hold them for the long term, for capital appreciation or for rental Accordingly, they are still treated as a lease of property, plant and equipment

- Taxation - significant estimates are required in determining the provision for corporation tax

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22 Financial instruments

Financial risks

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity

The principal financial risks to which the Company is exposed are liquidity risk, market risk and credit risk and these are monitored on a regular basis by management Each of these is considered below

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost

The Company's liquidity policy is to maintain sufficient liquid resources to cover imbalances and fluctuations in funding, to maintain solvency of the Company and to enable the Company to meet its financial obligations as they fall due This is achieved through maintaining a prudent level of liquid assets and through rigorous management control of the growth of the business The following are contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements

	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	4,291	-	4,291	-	-	-
Amounts owing to group companies	357	-	357	-	-	-
Total	4,648	-	4,648	-	-	-

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

Market risk

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

Currency risk

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

Interest rate risk

The Company has no interest bearing liabilities, other than loans from group undertakings, and the company monitors this exposure on a continuous basis

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers Based on historic default rates, the Company believes that no impairment provision is necessary in respect of most trade receivables not over due or over due by up to 30 days Specific impairment provisions are made for customers who do not have a good payment record with the company before 30 days For maximum credit exposure see note 10 Management carefully manages its exposure to credit risk

Capital management

The Board's policy is to maintain a strong capital base so as to maintain, 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 Company's approach to capital management during the year The Company is not subject to externally imposed capital requirements

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23 Adoption of new and revised International Financial Reporting Standards

Disclosed below are new standards and interpretations, which have been adopted during the period

- *IFRS 3 2010 Business Combinations (Revised)* This standard replaces IFRS 3, *Business Combinations (2004)* and is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009 The main changes in this standard are that the cost of investment will comprise the consideration paid to the vendors for equity with acquisition costs being expensed immediately, goodwill will be accounted for only upon the acquisition of a subsidiary as subsequent changes in interest will be recognised in equity and only upon the loss of control will any profit or loss be recognised in the Statement of Comprehensive Income Further, any pre-existing holding within the acquired entity will, where control is subsequently gained, be revalued with any profit or loss arising being credited / charged through the Statement of Comprehensive Income This standard has had no impact on these financial statements in 2010

- IAS 27,*Consolidated and Separate Financial Statements (2008)* The amended standard must be applied for annual periods beginning on or after 1 July 2009 The amendments to this standard require the effects of all transactions with non-controlling interests to be recorded in equity if there has been no change in control The changes also specify the accounting where control of an entity is lost This standard has had no impact on these financial statements in 2010

- Eligible Hedged Items (Amendment to IAS 39 *Financial Instruments Recognition and Measurement*) The amended standard must be applied for annual periods beginning on or after 1 July 2009 The amendment clarifies how the existing principles underlying hedge accounting should be applied in the designation of a one-sided risk in a hedged item and inflation in a financial hedged item This amendment has had no impact on these financial statements in 2010

24 Ultimate parent undertaking

The Company is a wholly owned subsidiary of Connells Limited The ultimate parent undertaking is Skipton Building Society, which is registered in the United Kingdom The largest group in which the results are consolidated is that headed by Skipton Building Society The smallest group is that headed by Connells Limited and the consolidated accounts of this Company are available to the public and can be obtained from

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