Skipton Financial Services Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018
Registered number 02061788

Contents

Directors' Report 2018

The Directors present their Directors' Report and Financial Statements for the year ended 31 December 2018.

Principal activities

On 1 August 2016, following Financial Conduct Authority (FCA) approval, the majority of the trade and assets of the Company were sold to the ultimate parent undertaking, Skipton Building Society ("the Society"). The Company continues to receive recurring income from a small number of providers. The principal activity of the Company is to continue to collect and process the recurring income due from the remaining providers efficiently and effectively.

Directors

The Directors who served during the year were:

M G A Leach
A P Bottomley
R S D M Ndawula

Messrs Bottomley and Ndawula are also Directors of the ultimate parent undertaking Skipton Building Society.

Going concern

The Financial Statements of the Company have been prepared on the going concern basis, which the Directors believe to be appropriate for the following reasons.

On 1 August 2016, following FCA approval, the majority of the trade and assets of the Skipton Financial Services (the Company were sold to the ultimate parent undertaking, Skipton Building Society ("the Society"), however the Company will continue to receive legacy recurring income and is expected to be profit making for the foreseeable future. In addition, at 31 December 2018, the Company has sufficient capital resources and liquid assets to meet its financial obligations as they fall due. The Directors consider that this should enable the Company to continue in operational existence for the foreseeable future.

Dividends

An equity dividend of £255,626 has been paid in 2018 (2017: £1,972,790).

Principal risks and uncertainties

The principal risks and uncertainties of the Company are monitored by the Financial Advisers Operational Risk Group which operates in accordance with the Skipton Building Society Group Operational Risk Management framework.

The key risks and uncertainties faced by the Company are set out in note 15 to the Financial Statements.

Material risk takers

Material risk takers (MRTs) are those 'whose professional activities have a material impact on an institution's risk profile' and, in accordance with the Capital Requirement Directive IV (CRD IV) and the criteria set out by the European Banking Authority (EBA), we have identified MRTs in the Company.

Details of the MRTs' remuneration arrangements for 2018 are included in the Group's Pillar 3 document which is available at www.skipton.co.uk/about-us/pillar-3-disclosure.

Directors' Report 2018 (continued)

Disclosure of information to auditor

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

Due to an update to EU legislation, KPMG LLP is legally required to resign as the external auditor of Skipton Building Society (the Company's parent undertaking) following the audit of its 2020 Annual Report and Accounts, however KPMG will resign as the Society's external auditor at the forthcoming AGM of the Society in April 2019 to coincide with the required rotation of the current senior partner. KPMG will therefore also resign as the Company's auditor.

The Skipton Building Society Group's external audit process was put out to tender during the year and the Skipton Building Society Board concluded that they believe Ernst & Young LLP (EY) should be appointed as the Society's external auditor. EY will therefore also be appointed as the auditor of the Company, subject to approval by the members of Skipton Building Society at the AGM.

By order of the Board

JJ Gibson
Secretary
The Bailey
Skipton
BD23 1DN
8 March 2019

Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the members of Skipton Financial Services Limited

Opinion

We have audited the financial statements of Skipton Financial Services Limited ("the company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK 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 deferred tax asset, regulated complaints provision and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

David Allen

David Allen (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square,
Sovereign Street,
Leeds,
LS1 4DA
8 March 2019

Statement of Comprehensive Income
for year ended 31 December 2018

	Notes	2018 £	2017 £
Revenue		1,672,713	1,819,872
Cost of sales		(450,199)	(431,253)
Gross profit		**1,222,514**	1,388,619
Administrative expenses	5	(530,573)	(651,698)
Operating profit		**691,941**	736,921
Interest receivable	4	13,419	9,410
Profit before tax		**705,360**	746,331
Taxation	7	(131,736)	(60,033)
Profit for the year		**573,625**	686,298
Total comprehensive profit for the year		**573,625**	686,298
Attributable to:			
Equity shareholders		**573,625**	686,298

The profit for the current year and for the previous comparative financial year was derived wholly from continuing operations.

Statement of Changes in Equity
at 31 December 2018

	2018			2017		
	Share Capital	**Retained Earnings**	**Total**	Share Capital	Retained Earnings	Total
	£	£	£	£	£	£
At 1 January	1,570,000	1,010,099	2,580,099	3,070,000	796,591	3,866,591
Profit for the financial year	-	573,625	573,625	-	686,298	686,298
Share capital reduction	-	-	-	(1,500,000)	1,500,000	-
Equity dividends paid	-	(255,626)	(255,626)	-	(1,972,790)	(1,972,790)
At 31 December	**1,570,000**	**1,328,098**	**2,898,098**	1,570,000	1,010,099	2,580,099

The notes on pages 11 to 18 form part of these Financial Statements.

Statement of Financial Position
at 31 December 2018

	Notes	**2018** £	2017 £
Current assets			
Cash and cash equivalents		120,667	93,026
Prepayments and accrued income		1,548	9,528
Trade and other receivables	10	2,904,563	2,496,629
		3,026,778	2,599,183
Non-current assets			
Deferred tax assets	9	174,724	194,129
		174,724	194,129
Total assets		**3,201,502**	2,793,312
Current liabilities			
Current tax liabilities		52,330	53,578
Trade and other payables	11	87,001	16,830
		139,331	70,408
Non-current liabilities			
Provisions	12	164,073	142,805
		164,073	142,805
Equity			
Share capital	13	1,570,000	1,570,000
Reserves		1,328,098	1,010,099
		2,898,098	2,580,099
Total liabilities and equity		**3,201,502**	2,793,312

The notes on pages 11 to 18 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 8 March 2019 and were signed on its behalf by:

R S D M Ndawula
Director

A P Bottomley
Director

Company Registration number 02061788

Statement of Cash Flows
for year ended 31 December 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Profit from operations		691,941	736,921
Adjustments for:			
Decrease/(increase) in trade and other receivables	10	7,980	(6,727)
Decrease in prepayments and accrued income	10	12,000	12,500
(Increase)/decrease in intra group trade receivables	10	(493,187)	492,503
Increase/(decrease) in trade and other payables	11	71,169	(83,522)
Increase/(decrease) in provisions	12	21,268	(17,438)
(Decrease)/increase in accruals	11	(999)	(401)
Tax paid/(received)		(113,577)	141,498
Net cash from operating activities		**196,595**	1,275,334
Cash flows from investing activities			
Interest received	4	13,419	9,410
Net cash from investing activities		**13,419**	9,410
Cash flows from financing activities			
Dividends paid		(255,626)	(1,972,790)
Net cash from financing activities		**(255,626)**	(1,972,790)
Net decrease in cash and cash equivalents		**(45,612)**	(688,046)
Cash and cash equivalents at 1 January		**1,043,791**	1,731,837
Cash and cash equivalents at 31 December		**998,179**	1,043,791

Analysis of the cash balances as shown in the Statement of Financial Position:

	2018 £	2017 £
Cash and cash equivalents other than with ultimate parent undertaking	120,667	93,026
Loans and advances to ultimate parent undertaking with original maturity less than three months (included within Receivables from related parties)	877,512	950,765
Cash and cash equivalents at 31 December (per Statement of Cash Flows)	**998,179**	1,043,791

The notes on pages 11 to 18 form part of these Financial Statements.

Notes to the Financial Statements

1 Accounting policies

Skipton Financial Services Limited (the "Company") is a company incorporated and domiciled in the UK. The registered office of Skipton Financial Services Limited is The Bailey, Skipton, North Yorkshire, BD23 1XT.

a) Basis of accounting

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

Note 3 to the accounts sets out details of any new accounting standards and interpretations which are either relevant to the Company and have been adopted by the Directors in preparing these Financial Statements, or are not yet effective as at 31 December 2018.

The Company is exempt from the requirement to prepare a strategic report under the small companies regime.

Measurement convention
The financial statements have been prepared under the historical cost convention.

Going concern
The financial position of the Company and its cash flows are described in the Company Financial Statements on pages 8 to 10.

The Company's business activities are set out in the Directors' Report on page 3.

In the opinion of the Directors the Company has adequate financial resources to meet its financial obligations as they fall due. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. The Directors also have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Currency presentation
The Financial Statements are presented in pounds sterling and have been rounded to the nearest pound.

b) Revenue recognition

Revenue predominantly comprises of trail commission and renewal income that is received from product providers on ongoing historic products. This income will continue unless the customer appoints a new agent or terminates the contract with the provider. Agency relationships exist for all revenue recognised by the Company, as such the amount of revenue recognised is equal to the amount of commission received. Due to uncertainty over the timing and value of revenue, the Company recognises all revenue when the monies are received.

c) Taxation

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Income tax on the profits for the year comprises current tax and deferred tax. Income tax is recognised in the Statement of Comprehensive Income. Current tax is the expected tax payable on the income for the year, using tax rates enacted or substantially enacted on the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of Financial Position asset and 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 reporting date.

Notes to the Financial Statements *(continued)*

1 Accounting policies (continued)

d) Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Inter-company loans
Inter-company loans are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and on demand deposits.

For the purposes of the Statement of Cash Flows, cash comprises cash in hand and unrestricted loans and advances to credit institutions repayable on demand including amounts due from the ultimate parent undertaking. Cash equivalents comprise highly liquid unrestricted investments that are readily convertible into cash with an insignificant risk of changes in value with original maturities of less than three months.

The Statement of Cash Flows have been prepared using the indirect method.

Financial liabilities
In accordance with IFRS 9, the financial liabilities of the Company, being amounts due the parent undertaking, are classified as measured at amortised cost using the effective interest method. The effective interest method calculates an interest rate which exactly discounts the forecast cash flows of an asset over its expected life back to its carrying value. Amounts due to the parent undertaking are repayable on demand. The fair value of these loans are assumed to be equal to their amortised cost value.

e) Provisions

Impairment provisions are recognised in respect of investment advice reflecting an estimated cost of reviewing each complaint and an estimate of any subsequent compensation payments. These amounts are recognised in the Statement of Comprehensive Income and as a liability within the Statement of Financial Position. When a subsequent event causes the amount of provision to decrease, the decrease in provisions is recognised through the Statement of Comprehensive Income.

f) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual right to cashflows expire, or the financial asset is transferred to another party and the right to receive cashflows is also transferred.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or has expired.

g) Key judgements and estimates

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities.

The Company 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 areas of judgement are set out below:

Provisions
The Company has made a judgement on the basis for provisions. The regulated complaints provision is based upon historic experience. The investment advice provision is calculated based on an estimate of number of customers with a complaint upheld and then the loss incurred per customer complaint upheld. The estimate is based upon historic experience and management judgement. The loss incurred is sensitive to movements in the financial markets.

Contingent liabilities are assessed as part of the provisioning process.

Notes to the Financial Statements *(continued)*

1 Accounting policies (continued)

Deferred tax asset
The write off of the goodwill 2016 resulted in a deferred tax asset which is considered to be fully recoverable.

2 Segmental reporting

The Company comprises one division whose principal activity is to collect legacy recurring income.

3 Adoption of new and revised International Financial Reporting Standards

During the year, the Directors have adopted the following new or amended accounting standards and interpretations, all of which are effective for accounting periods starting on or after 1 January 2018 and are EU endorsed:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 7 Financial Instruments: Disclosures

These amendments have had no material impact on these Financial Statements.

Standards issued but not yet effective

The Company notes a number of new accounting standards which will be effective for future reporting periods, none of which have been early adopted in preparing these financial statements and none of which are expected to have a material impact on the Company's financial statements:

- Annual Improvements to IFRS Standards 2015-2017 Cycle (various standards);
- Amendments to References to Conceptual Framework in IFRS Standards;

4 Interest receivable

	2018 £	2017 £
Received from parent undertaking	13,419	9,410
	13,419	9,410

The Company is exposed to movements in interest rates on intercompany balances and monitors this exposure on a continuous basis.

5 Administrative expenses

	2018 £	2017 £
Auditor and associates remuneration and expenses:		
Audit services (excludes VAT)	**5,150**	5,000
Other assurance services (excludes VAT)	**4,500**	4,500
Investment advice provision (Note 12)	**37,767**	(5,212)
FCA Levy and fees	**39,901**	11,458
Shared services recharge	**250,971**	215,356
Staff costs recharge	**147,832**	183,015
Other administrative expenses	**44,452**	237,581
	530,573	651,698

Notes to the Financial Statements *(continued)*

6 Staff numbers and cost

The average number of persons employed by the Company, including Directors, during the year, analysed by category, was Nil (Nil in 2017).

From 1 August 2016 all staff member are employed by the ultimate parent undertaking and provide service to Skipton Group companies. As a result, their services have been included in amounts recharged to the Company by the ultimate parent undertaking and are included in cost of sales (2018: £374,091; 2017: £341,386) and other administrative expenses (2018: £147,832; 2017: £183,015).

7 Taxation

a) Analysis of the charge in the year

	2018	2017
	£	£
Current tax expense/(credit)		
Current tax charge	112,331	121,578
Adjustments for prior years	-	(81,034)
Total current tax	112,331	40,544
Deferred tax expense		
Current year	19,405	19,489
Total deferred tax	19,405	19,489
Tax expense	**131,736**	60,033

b) Reconciliation of tax credit

A reconciliation between the tax charge on profit before tax at the standard UK Corporation tax rate to the actual current tax charge is as follows:

	2018	2017
	£	£
Profit on ordinary activities before tax	705,360	746,331
Tax on profit on ordinary activities at UK standard corporation rate of 19.00% (2017: 19.25%)	134,019	143,642
Effects of:		
- adjustment to tax charge in respect of previous periods	-	(81,034)
- effects of other tax rates changes	(2,283)	(2,575)
Tax charge	**131,736**	60,033

8 Intangible assets

Goodwill

	2018	**2017**
	£	**£**
Cost		
At 1 January	-	2,853,679
Write off goodwill	-	(2,853,679)
At 31 December	-	-
Amortisation	-	
At 1 January	-	2,853,679
Write off goodwill	-	(2,853,679)
At 31 December	-	-
Net book value		
At 1 January and 31 December	-	-

Notes to the Financial Statements *(continued)*

8 Intangible assets (continued)

The income streams relating to the goodwill were sold to the Society on 1 August 2016; as a result the goodwill was no longer supportable and was impaired, it has subsequently been written off in full in the 2017 period.

9 Deferred tax

Deferred tax is calculated on temporary differences under the Statement of Financial Position asset and liability method, using the enacted tax rate expected to apply when these differences reverse.

The movement in the deferred tax asset during the year was as follows:

	2018	2017
	£	£
At 1 January	194,129	213,618
Statement of Comprehensive Income charge (Note 7)	(19,405)	(19,489)
At 31 December	**174,724**	194,129

The deferred tax charge relates to the items below:

	2018	2017
	£	£
Intangible assets	19,405	19,489
Statement of Comprehensive Income charge	**19,405**	19,489

10 Trade and other receivables

	2018	2017
	£	£
Receivables from related parties*	2,880,563	2,460,629
Other debtors	24,000	36,000
	2,904,563	2,496,629

*Includes £877,512 (2017: £950,765) due from the ultimate parent undertaking which has an original maturity of less than three months and is classified as cash and cash equivalents in the Statement of Cash Flows.

Trade and other receivables of £2,904,563 are classed as not past due at the reporting date (2017: £2,496,629 not past due).

The Company deposits long term liquidity with the Society via the Society's Treasury function. A minimum of £100,000 is deposited at any one time, for a minimum of two weeks. The deposits are usually rolled over on maturity along with capitalised interest. Interest receivable is linked to LIBOR.

11 Trade and other payables

	2018	2017
	£	£
Due to ultimate parent undertaking	71,169	-
Accruals	15,831	16,830
	87,001	16,830

Notes to the Financial Statements *(continued)*

12 Provisions

	2018 £	2017 £
Provision in respect of investment advice	164,073	142,805
	164,073	142,805

The provision in respect of investment advice reflects the cost of reviewing each complaint and an estimate of any subsequent compensation payments. These provisions are expected to be utilised within the next three years.

The movements on the provisions during the year were as follows:

	2018 Investment advice £	2017 Investment advice £
At 1 January	142,805	160,243
Amounts utilised during the year	(16,499)	(12,226)
Charge/(credit) to Statement of Comprehensive Income during the year	37,767	(5,212)
At 31 December	**164,073**	142,805

13 Share capital

	2018 £	2017 £
Equity		
Allotted, called up and fully paid share capital		
1,570,000 ordinary shares of £1 each	1,570,000	1,570,000
At 31 December 2018	**1,570,000**	1,570,000

14 Management of capital

The Company manages its capital balance in order to ensure that both the internal limit and the regulatory limit are not breached. The Company internal limit is 125% of regulatory capital as management consider any additional regulatory capital requirement over and above actual capital resources would be supplied by the Society. Thus a capital buffer of 25% is considered sufficient. At 31 December 2018 there is an excess of capital resources of £1.3m (2017: £1.0m), over and above the internal Board capital requirement, and £1.7m (2017 £1.3m) over and above the regulatory limit. The period end capital position is reported to the Society on a monthly basis. The internal limit can only be changed by the Board.

The capital position is given due consideration when corporate plans are prepared, calculating the future requirement based upon the five year financial forecast.

The calculations applied are consistent with the Prudential Regulation Authority requirements for an advisory business which does not hold client money.

	2018 £	2017 £
Capital		
Ordinary Shares	1,570,000	1,570,000
Reserves	1,328,098	1,010,099
Total	**2,898,098**	2,580,099

Notes to the Financial Statements *(continued)*

15 Financial instruments

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

The key risks in respect of financial instruments faced by the Company are market risk, credit risk and liquidity risk. These are monitored on a regular basis by management.

Market risk
This is the risk that arises from fluctuations in values of, or income from, assets or in interest or exchange rates. The Company's direct exposure to this risk relates to its time deposit balance with the Society. Interest receivable on the time deposit is directly linked to LIBOR.

Credit risk
The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Management monitors and carefully manages its exposure to credit risk on an ongoing basis.

The carrying value and ageing of receivables from related parties are included in note 10, all such amounts are not past due.

Other debtors include amounts being recovered under a court order of which £66,000 has already been paid and the remaining £24,000 is not past due.

The maximum exposure to credit risk for financial assets is represented by the carrying amount of each financial asset.

No impairment has been recognised in respect of any financial assets.

Liquidity risk
This is the risk that the Company does not have available sufficient resources to enable it to meet its obligations as they fall due. A mixture of cash at bank and cash on time deposit is maintained which is designed to meet its operational and trading activities. At 31 December 2018, the Company had £1m in its current account and on short term time deposit, ensuring a high degree of liquidity.

16 Pensions

In May 2011, the Company entered into a Scheme Apportion Arrangement with the trustees of the scheme(s) and the Society whereby the "Section 75 debt" of the Company was reduced to £100 with the remainder being apportioned to the Society. The Company subsequently ceased to participate in the scheme(s) and paid the Section 75 debt due of £100. The Company therefore has no further legal liability to pay contributions to the scheme(s) under any circumstances. Deficit contributions were being recharged to the Company under an internal agreement with the Society based on the proportion of active members who were employees of the Company at the time of closure to future accrual. These payments ceased when the staff were transferred to the Society under the TUPE regulations. As a result no amounts were paid into the defined contribution pension scheme by the Company in the year (2017: Nil) and no amounts were paid into the defined benefit pension scheme by the Company in the year (2017: Nil).

The full Pension note disclosure is detailed in the Annual Report and Accounts of the Society.

17 Contingent liability

Due to the nature of the business, the Company receives complaints from clients which may result in financial compensation being paid, either through ex-gratia settlement, or through rulings from the Financial Ombudsman Service. It is Company policy to defend claims going to the Financial Ombudsman Service when we believe it's the right thing to do.

Notes to the Financial Statements *(continued)*

18 Related party transactions

The Company has related party relationships with the ultimate parent undertaking and other entities within the Skipton Group as detailed below. All such transactions are priced on an arm's-length basis.

	2018 Ultimate Parent Undertaking £	2018 Other Group Undertakings £	2017 Ultimate Parent Undertaking £	2017 Other Group Undertakings £
a) Net interest				
Interest receivable	13,419	-	9,410	-
Total	**13,419**	-	9,410	-
b) Purchase of goods and services				
Commission share agreement	25,303	-	28,228	-
General business recharge	775,483	-	750,165	-
Total	**800,786**	-	778,393	-
c) Outstanding balances				
Cash on deposit with Skipton Building Society	2,880,563	-	2,452,777	-
Sale of goods and services	-	-	7,852.	-
Purchase of goods and services	(71,169)	-	-	-
Total	**2,809,394**	-	2,460,629	-

There are no provisions in respect of sales of goods and services to Related Parties at 31 December 2017 or at 31 December 2018.

The Company is part of the group banking arrangements involving the pooling of funds with other group companies.

19 Guarantees and other financial commitments

The Company is party to a group banking pooling arrangement with other Society Group companies with full set-off via a series of cross guarantees.

20 Subsequent events

There have been no material subsequent events between 31 December 2018 and the approval of these Financial Statements.

21 Ultimate parent undertaking

The Company is a wholly owned subsidiary of Skipton Group Holdings Limited. The ultimate parent undertaking is Skipton Building Society, which is registered in the United Kingdom. A copy of the Group Annual Report and Accounts into which the results of this Company are consolidated is available from 31 March 2019 from:

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