

THE ASSET MANAGEMENT GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Registered Number 03292378)

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Contents

Directors' Report	3
Strategic Report	5
Statement of directors' responsibilities	8
Independent auditor's report to the members of The Asset Management Group Limited	9
Income statement	12
Statement of Financial Position	13
Statement of Changes in Equity	14
Statement of Cash Flows	15
Notes	16

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Asset Management Group Limited continues to provide services to corporate clients in connection with the arrangement of the sale of vacant residential properties throughout the UK.

The Asset Management Group Limited is a private limited company registered in England and Wales, registered number, 03292378.

DIRECTORS

The Directors who served during the year were:

RS Shipperley
DC Livesey
RJ Twigg
S Matthews
A Chambers (resigned 31 October 2020)
CA Coxon

DIVIDENDS

During the year an interim dividend of £600,000 was paid (2019: £1,250,000). The Directors do not propose the payment of a final dividend (2019: £nil).

DONATIONS

The Company made charitable donations of £62 in 2020 (2019: £800). There were no political donations (2019: £nil).

EMPLOYEES

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

EMPLOYEE DEVELOPMENT AND EQUAL OPPORTUNITIES

The Company's approach is to ensure it recruits and promotes the right people regardless of gender, disability, age, sexual orientation or race, and it committed to a culture of meritocracy whereby career progression is based on ability. It facilitates opportunities for all employees to progress and regularly reviews practices and policies. It regards its people as its most valuable asset and is committed to investing in them to achieve their full potential, without discrimination.

People with disabilities are given equal opportunities wherever they can fulfil the requirements of the job. If an employee becomes disabled during their employment with the Company every reasonable effort is made to enable them to continue their career within the Company.

DISCLOSURE OF INFORMATION TO 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 auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

GOING CONCERN

The Directors have undertaken a thorough assessment of the Company's financial forecasts to 30 June 2022, including the continuing impact of Covid-19 on its operations within the UK. The impact of the Covid-19 pandemic began on 23 March 2020, when the UK housing market was effectively closed for two months and, in particular, lenders were prohibited from taking possession of defaulting borrowers' properties. However the Company reacted quickly to the lockdown, reducing its cost base significantly and, despite the ban on new repossessions, the Company was able to continue to sell its existing stock of properties. Whilst down on the prior year, the Company achieved a reasonable profit and continued to maintain adequate resources.

The pandemic has had an impact on repossessions in the UK in that all new evictions have been suspended since the end of March 2020. During this period and at the time of writing, voluntary and abandoned possessions are still taking place.

When the suspension of new evictions is lifted, it will take a few months for the courts system to become fully operational. However, there will be a number of mortgage customers that were in the system and in serious arrears, prior to the pandemic. We should see a short-term increase in monthly BAU volumes as a result. We enter 2021 with a much lower stock of properties than at the start of 2020 and this will impact 2021 profitability. However, we expect volumes to recover throughout the year once the stock of properties builds and begins to sell at normal levels.

AMG is well placed in the market having over 40% share of all UK repossessions with a varied client basis of mortgage lenders, from major high street banks, building societies and specialised lenders. We have unrivalled industry experience in dealing with large increases in volumes. Almost half of our staff have been with us for more than 10 years, providing a core and structure to the business that enables us to expand to meet varying volumes of business, whilst maintaining our high levels of service delivery.

Directors' Report (continued)

GOING CONCERN (continued)

The Company has modelled downturn scenarios as detailed below, which include mitigating actions including reducing headcount, capital and other discretionary spend and, where appropriate, using available government support. As a result of the modelling, the Directors have deemed it appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements of the Company for the year ended 31 December 2020.

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2020 the Company reported a net profit after tax of £748,000 (2019: £1,559,000) and at 31 December 2020 had cash balances amounting to £1,807,000 (2019: £1,248,000), even after paying a dividend of £600,000 (2019: £1,250,000) to its shareholders. At the date of signing these accounts, the Company still has a similar cash balance and has no external debt.

In forming their view on going concern, the Directors continue to perform extensive forecasting to model the ongoing impact of the Covid-19 pandemic and its potential impact on business volumes, as detailed further in the Strategic Report. In particular the Directors have considered and modelled a number of severe but plausible scenarios, including the impact of a material downturn in the UK housing market caused by the Covid-19 pandemic or other political and economic circumstances. The key assumptions used in this severe stress scenario are as follows:

- The repossessions ban is extended further until 30th June 2021 followed by a slower recovery.
- Mitigating actions to reduce headcount, capital expenditure and marketing spend.

The Company's financial strength means that it is well positioned to withstand any downturn. As at 31 December 2020 the Company has no long term debt (other than IFRS 16 liabilities) and therefore no covenant tests that it must meet.

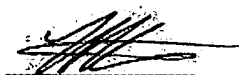
As a result of the above and following careful consideration, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

AUDITOR

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

On behalf of the board

S Matthews
Director



26 April 2021

13 – 21 High Street
Guildford
Surrey GU1 3DG

Strategic Report

BUSINESS REVIEW

Objectives and strategy of the Company

The Company's objectives continue to be to maximise the long-term value and revenue streams for its shareholders, to create secure and rewarding employment for its staff and to deliver a high quality and flexible service required to meet the various demands of its corporate clients.

The Company aims to deliver sustainable and growing revenues from efficient operations supported by a lean management cost structure, which enables the Company to adapt to market opportunities. This awareness of customer service and profit management has been at the core of the Company's success and is a key component to its future strategy.

2020 Review

The results for the company as set out on page 12 show a pre-tax profit of £922,000 (2019: £1,794,000).

COVID-19 had a significant impact on the Company's new business activities as all new evictions were suspended from the end of March and have remained in place since. The country went into the first lockdown on 23 March 2020, effectively closing the housing market for two months. However the property market re-opened in June enabling the Company to market and sell its stock of properties held at the point of lockdown. The housing market was strong due to pent up demand and the stamp duty holiday announced by the Government, therefore the Company experienced good levels of property sales and exchanges. There was also higher than predicted levels of new business from non-repossession stock, though still considerably down on business as usual. Management made use of the Government's Job Retention Scheme and placed 68% of its people on furlough, and this, coupled with a strong exchange performance, enabled us to deliver a robust profit performance, considering the circumstances.

The Company's priority throughout the Covid-19 pandemic has been the health, safety and well-being of its people and customers. The Group invested in personal protective equipment (PPE), devised comprehensive working practices and rolled out training to allow for a safe and secure environment for its people and customers. The Company's IT systems enabled those who could work from home to do so.

The result of the Covid-19 pandemic was that the Company's total income reduced to £7,168,000 in 2020, a fall of 39% on the prior year. Management reacted to this fall in income by reducing capital expenditure and minimising all other areas of discretionary spend in order to protect its cash position. As noted above, the Company benefitted from elements of government support, including the CJRS totaling £369,000; further details are included in note 20. Consequently, net administrative expenditure fell by £941,000 (32%) in the year to £2,011,000.

Operational performance and key performance indicators

The Directors monitor the business at regular board meetings throughout the year. The table below shows the most significant financial KPI's that are monitored for the business.

Operational review

	2020 £000	2019 £000	Change %
Total fees and commissions	7,168	11,767	-39%
EBITDA	1,071	1,312	-18%
Profit from operations	933	1,190	-22%
Profit before tax*	922	1,794	-49%
Movement in instructions	-64%	+14%	
Movement in exchanges	-36%	+5%	

*Profit before tax includes dividends received from wholly owned subsidiaries of £nil (2019: £600,000).

Risks and uncertainties

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

This has three elements:

- The Company's risk appetite is documented in detailed policy risk statements, which are reviewed and approved annually by the Board.
- The primary responsibility for managing risk and ensuring appropriate controls are in place lies with the Company's management. The Company and its ultimate parent undertaking, Skipton Building Society, through their risk and compliance functions provide monitoring and oversight on behalf of the Company's Board.

Strategic Report *(continued)*

Risks and uncertainties *(continued)*

- The Company's Audit and Risk Committee oversees the effectiveness of the risk management framework and the control environment, with third line assurance being provided through Skipton Group's Internal Audit function.

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

Covid-19 pandemic

The business has been impacted significantly since March 2020 by the Covid-19 pandemic, which has resulted in the suspension of repossession activity, therefore activity levels have declined significantly. The Company was able to remain open and work volumes did not cease entirely, however, did fall to a low level. There remains significant uncertainty over how long restrictive measures will remain in place, how this will impact customer sentiment and the wider economic impact.

Management reacted quickly at the on-set of the pandemic to preserve cash by placing the majority of colleagues on furlough and cutting back on capital and other discretionary spending. The Company has invested in personal protective equipment (PPE), devised comprehensive working practices and rolled out training to allow for a safe and secure environment for its people and customers. The Directors have also taken a number of actions and contingency planning to safeguard the future profitability and viability of the business, which is discussed further in the going concern section, and through the business' continuity planning team continue to monitor developments and take appropriate action. The Company's IT systems have enabled those people who can work from home to do so, and the Company has continued to be able to operate throughout the pandemic.

IT Infrastructure and information security

The Company depends on efficient systems for its day to day operations and maintenance of its financial records. A significant interruption to its IT services, or breach of data security, would have an adverse impact on the ability to trade.

The Company continues to invest in its IT and data security systems to ensure that its systems adequately support its expanding operations and address the changing needs of the business. Regular penetration and business recovery testing is carried out.

Loss of a major client

The Company holds a number of important client relationships, the loss of which would adversely affect income and performance.

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

Financial misstatement and fraud

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

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

Customers

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

Capital

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

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

Strategic Report *(continued)*

Risks and uncertainties (continued)

People

Asset management 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 ensures that service agreements, remuneration packages, and human resources policies are adequate to attract, motivate and retain key employees.

On behalf of the board.



S Matthews
Director

26 April 2021

13 – 21 High Street
Guildford
Surrey GU1 3DG

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

The directors are responsible for preparing the annual 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 the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance;
- in respect of the financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not 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 company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

The directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- that the financial statements, including the strategic report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- that they consider the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ASSET MANAGEMENT GROUP LIMITED

Opinion

We have audited the financial statements of The Asset Management Group Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 30 June 2022, 15 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ASSET MANAGEMENT GROUP LIMITED (*continued*)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are: The Estates Agents Act 2019, The Consumer Rights Act 2015, The Consumers, Estate Agents and Redress Act 2007, International Accounting Standards, Companies Act 2006, Data Protection Act 1998, Health and Safety at Work Act 1974, HMRC regulations, The Coronavirus Act 2020 Functions of Her Majesty's Revenue and Customs (Coronavirus Job Retention Scheme), UK Bribery Act, Equality Act and Anti-Money Laundering Regulations.
- We understood how The Asset Management Group Limited is complying with those frameworks by making enquiries of those charged with governance and management. We understood the potential incentive and ability to override the controls. We considered management's attitude and tone from the top to embed a culture of honesty and ethical behaviour whereby a strong emphasis is placed on fraud prevention which may reduce opportunities for fraud to take place. We further understood the adoption of accounting standards and considered the compliance with the above laws.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by obtaining and reading internal policies, holding enquiries of management and those charged with governance and the in-house legal counsel as to any fraud risk framework within the entity.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
 - Enquiry of management and those charged with governance as to any fraud risk framework within the entity, including whether a formal fraud risk assessment is completed.
 - Enquiry of management, those charged with governance and the entity's in-house legal team around actual and potential litigation and claims.
 - Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations, including communications with regulators and tax authorities.
 - Reading minutes of meetings of those charged with governance.
 - Reading internal audit reports.
 - Enquiry of management over reports to whistleblowing hotlines.
 - Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
 - Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.
 - Data analytics to highlight potentially anomalous transactions in areas of the business which are determined to have an elevated fraud risk.
 - Evaluating the business rationale of significant transactions outside the normal course of business, and;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ASSET MANAGEMENT GROUP LIMITED (*continued*)

- Challenging judgements made by management. This included corroborating the inputs and considering contradictory evidence.

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

Use of our report

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

Ernst & Young LLP

Joanne Mason (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Audit
Luton
Date 28 April 2021

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Year ended 2020 £000	Year ended 2019 £000
Revenue	3	7,168	11,767
Cost of sales		(4,224)	(7,625)
Gross profit		2,944	4,142
Employee benefit expenses	6	(1,570)	(2,445)
Other operating expenses	2	(441)	(507)
Operating profit		933	1,190
Presented as: Earnings before interest, tax, depreciation, amortisation (EBITDA)			
		1,071	1,312
Depreciation of tangible assets	9	(23)	(19)
Depreciation of right-of-use assets	10	(115)	(103)
Operating profit		933	1,190
Finance income	4	2	6
Finance costs	5	(13)	(2)
Dividend income		-	600
Profit before tax		922	1,794
Income tax expense	7	(174)	(235)
Profit for the year being total comprehensive income		748	1,559

In the current and previous year the Company made no material acquisitions and had no discontinued operations.

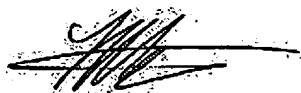
The notes on pages 16 to 30 form part of these financial statements.

Statement of Financial Position

AT 31 DECEMBER 2020

	Notes	£000	31 December 2020 £000	£000	31 December 2019 £000
Non-current assets					
Fixed assets investments	11	-	-	-	-
Intangible assets	8	557	557	557	557
Property, plant and equipment	9	31	45	45	45
Right of use assets	10	993	43	43	43
Deferred tax assets	15	43	52	52	52
Total non-current assets			1,624		697
Current assets					
Trade and other receivables	12	1,354	2,322	2,322	2,322
Cash and cash equivalents		1,807	1,248	1,248	1,248
Total current assets			3,161		3,570
Total assets			4,785		4,267
Current liabilities					
Trade and other payables	13	981	1,432	1,432	1,432
Tax liabilities		29	128	128	128
Lease liabilities	14	129	30	30	30
Total current liabilities			1,139		1,590
Non-current liabilities					
Trade and other payables	13	143	224	224	224
Lease liabilities	14	915	13	13	13
Total non-current liabilities			1,058		237
Total liabilities			2,197		1,827
Equity – attributable to the owners of the Company					
Share capital	17	-	-	-	-
Retained earnings	17	2,588	2,440	2,440	2,440
Total equity			2,588		2,440
Total equity and liabilities			4,785		4,267

These accounts were approved by the board of directors on 26 April 2021 and signed on its behalf by:



S Matthews
Director

Company registration number: 03292378

The notes on pages 16 to 30 form part of these accounts.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2020	-	2,440	2,440
Total income for the year	-	748	748
Dividend paid	-	(600)	(600)
Balance at 31 December 2020	-	2,588	2,588
Balance at 1 January 2019	-	2,131	2,131
Total income for the year	-	1,559	1,559
Dividend paid	-	(1,250)	(1,250)
Balance at 31 December 2019	-	2,440	2,440

The notes on pages 16 to 30 form part of these accounts.

During the year the Company declared an interim dividend of £600,000 (2019: £1,250,000). The dividend per share totalled £3,000.00 (2019: £6,250.00).

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Year ended 2020 £000	Year ended 2019 £000
Cash flows from operating activities			
Profit for the year		748	1,559
Adjustments for:			
Depreciation of property, plant and equipment	9	23	19
Depreciation of right-of-use assets	10	115	103
Finance income	4	(2)	(6)
Finance cost	5	13	2
Dividend income		-	(600)
Tax expense	7	174	235
Operating profit before changes in working capital and provisions		1,071	1,312
Decrease / (increase) in trade and other receivables		968	(159)
(Decrease) / increase in trade and other payables		(532)	260
Cash generated from operations		1,507	1,413
Taxes paid		(265)	(219)
Net cash inflow from operating activities		1,242	1,194
Cash flows from investing activities			
Interest received		2	6
Dividends received		-	600
Purchase of property, plant and equipment	9	(9)	(35)
Net cash inflow from investing activities		(7)	571
Cash flows from financing activities			
Payment of principal portion of lease liabilities	14	(76)	(105)
Dividends paid		(600)	(1,250)
Net cash outflow from financing activities		(676)	(1,355)
Net increase in cash and cash equivalents		559	410
Cash and cash equivalents at 1 January		1,248	838
Cash and cash equivalents at 31 December		1,807	1,248

The notes on pages 16 to 30 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The Asset Management Group Limited (the "Company") is a company incorporated, registered and domiciled in the UK. The following accounting policies have been applied consistently in these Company's accounts:

a) Basis of accounting

The Company's financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and effective as at 31 December 2020.

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 2020:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- IFRS 16 Rent concessions (Amendment to IFRS 16)

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

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Measurement convention

These financial statements are prepared on the historical cost basis.

Currency presentation

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

Going concern

The Directors have undertaken a thorough assessment of the Company's financial forecasts to 30 June 2022, including the continuing impact of Covid-19 on its operations within the UK. The impact of the Covid-19 pandemic began on 23 March 2020, when the UK housing market was effectively closed for two months and, in particular, lenders were prohibited from taking possession of defaulting borrowers' properties. However the Company reacted quickly to the lockdown, reducing its cost base significantly and, despite the ban on new repossessions, the Company was able to continue to sell its existing stock of properties. Whilst down on the prior year, the Company achieved a reasonable profit and continued to maintain adequate resources.

The pandemic has had an impact on repossessions in the UK in that all new evictions have been suspended since the end of March 2020. During this period and at the time of writing, voluntary and abandoned possessions are still taking place.

When the suspension of new evictions is lifted, it will take a few months for the courts system to become fully operational. However, there will be a number of mortgage customers that were in the system and in serious arrears, prior to the pandemic. We should see a short-term increase in monthly BAU volumes as a result. We enter 2021 with a much lower stock of properties than at the start of 2020 and this will impact 2021 profitability. However, we expect volumes to recover throughout the year once the stock of properties builds and begins to sell at normal levels.

AMG is well placed in the market having over 40% share of all UK repossessions with a varied client basis of mortgage lenders, from major high street banks, building societies and specialised lenders. We have unrivalled industry experience in dealing with large increases in volumes. Almost half of our staff have been with us for more than 10 years, providing a core and structure to the business that enables us to expand to meet varying volumes of business, whilst maintaining our high levels of service delivery.

The Company has modelled downturn scenarios as detailed below, which include mitigating actions including reducing headcount, capital and other discretionary spend and, where appropriate, using available government support. As a result of the modelling, the Directors have deemed it appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements of the Company for the year ended 31 December 2020.

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2020 the Company reported a net profit after tax of £748,000 (2019: £1,559,000) and at 31 December 2020 had cash balances amounting to £1,807,000 (2019: £1,248,000), even after paying a dividend of £600,000 (2019: £1,250,000) to its shareholders. At the date of signing these accounts, the Company still has a similar cash balance and has no external debt.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

a) Basis of accounting (continued)

In forming their view on going concern, the Directors continue to perform extensive forecasting to model the ongoing impact of the Covid-19 pandemic and its potential impact on business volumes, as detailed further in the Strategic Report. In particular the Directors have considered and modelled a number of severe but plausible scenarios, including the impact of a material downturn in the UK housing market caused by the Covid-19 pandemic or other political and economic circumstances. The key assumptions used in this severe stress scenario are as follows:

- The repossessions ban is extended further until 30th June 2021 followed by a slower recovery.
- Mitigating actions to reduce headcount, capital expenditure and marketing spend.

The Company's financial strength means that it is well positioned to withstand any downturn. As at 31 December 2020 the Company has no long term debt (other than IFRS 16 liabilities) and therefore no covenant tests that it must meet.

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

b) 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.

c) Impairment

In accordance with IAS 36, Impairment of Assets, goodwill and intangible assets with an indefinite life are not amortised but is tested for impairment at each year end 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 Company applies discount rates based on its estimated current cost of capital of the subsidiary. Impairment of a subsidiary's associated goodwill is recognised where the present value of future cash flows of the subsidiary is less than its carrying value. A fifteen year time horizon has been used to reflect that subsidiaries are held for the long term. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

e) Intangible assets

Intangible assets include acquired customer contracts and relationships that in the opinion of the directors meet 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:

Pipeline - 6 months

Customer contracts and relationships - 1 to 3 years

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

d) Revenue recognition

Revenue, which excludes value added tax, represents total commissions receivable by the Company and additional maintenance services provided. Asset management commissions are accounted for on exchange of property contracts. Additional maintenance services are accounted for as they are performed. Panel fee income is deferred over the membership period.

e) Property, plant and equipment

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

Office equipment - 3 to 5 years

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

f) Trade and other receivables

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

Asset management income is accounted for on exchange of contracts as with estate agency sales commissions. Under IFRS 15 additional services provided are recognised upon completion of the work and shown as contract assets until exchange of contracts takes place.

g) Trade and other payables

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

h) Leases

The Company's lease commitments relate mainly to properties and motor vehicles. Leases are typically negotiated on an individual basis and thus contain a wide range of terms and conditions, including options to extend or terminate. The lease liability is considered to be an indicator of the future cash outflows, there are no significant restrictions or covenants, residual value guarantees or sale and leaseback transactions. Previously, payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

From 1 January 2019, the Company assesses at contract inception whether a contract is, or contains, a lease. The Company initially recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets is equal to the aggregate lease liabilities recognised on day 1, adjusted for any initial direct costs incurred, any lease incentives received and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight line basis over the lease term. Right of use assets are tested for impairment at each year end.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted at the incremental borrowing rate. The lease payments include fixed payments less any lease incentives received and amounts expected to be paid under residual value guarantees. In calculating the present value of the lease payments, the Company uses its incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. Following recognition, the liability is reduced for the lease payments made and increased by the interest accrued. Moreover, the carrying amount of the lease liability is re-measured in the event of a modification, such as a change in the lease term or change in the lease payments. The interest cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining liability for each period.

The Company applies the short-term lease exemption to those leases that have a lease term of 12 months or less from the commencement date and also applies the exemption for leases of low value assets to office equipment. Lease payments relating to these exemptions are recognised in operating expenses on a straight line basis over the lease term. These exemptions are not applied to property leases and any short term property leases are accounted for as above.

i) Investments

Investments in subsidiaries are carried at cost less any impairment. The cost of investment arising on the acquisition of subsidiary undertakings or businesses comprises the consideration paid. The Company regularly reviews its subsidiary investments for objective evidence of impairment.

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 other comprehensive income, in which case the associated income tax asset or liability is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the year end, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

j) Taxation (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group.

The carrying amount of deferred tax assets is reviewed at each year end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each year end and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

k) Employee benefits

Certain employees are members of the Asset Management Group Limited defined contribution pension scheme, the assets of which are held separately from those of the Company, as independently administered funds. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement as incurred.

l) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash comprises cash in hand and loans and balances with banks and similar institutions. Cash and cash equivalents comprise highly liquid investments which are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. The Statement of Cash Flows has been prepared using the indirect method.

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

m) Net financing costs

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

n) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income against the related cost, on a systematic basis over the periods the cost is incurred. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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

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.

Intangible assets

Significant estimates and judgements are made in determining the fair value of intangible assets arising in a business combination. Management have valued the intangible assets based on expected profits of the customer relationships and pipelines bought in the acquisition. The key judgements are the average fee and profit margin per case and the length of time the customer relationships will last. Management have based these assumptions on past performance.

IFRS 16

The changes to critical estimates and assumptions used by the Company as a result of adopting IFRS 16, that have an effect on the reported amounts of assets and liabilities, are outlined below.

Lease term

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease where this is reasonably certain to be exercised, or any periods covered by an option to terminate the lease where this is reasonably certain not to be exercised.

Many of the Company's leases, particular property leases, contain options for the Company to extend and / or terminate the lease term. The Company applies judgement in evaluating whether it is reasonably certain to exercise these options, taking account of all relevant factors that create an economic incentive for it to do so. After the lease commencement date, the Company reassesses the lease term if there has been a significant event or change in circumstances that is within its control and which affects its ability to exercise (or not to exercise) the option to renew and / or to terminate (e.g. a change in business strategy).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. Expenses and auditor's remuneration

	Year ended 2020 £000	Year ended 2019 £000
Profit after tax is stated after charging the following:		
Depreciation of property, plant and equipment	23	19
Staff costs (see note 5)	1,570	2,445
Auditor's remuneration and expenses:		
Audit of these financial statements	<u>10</u>	<u>8</u>

3. Revenue

All revenue in the Company is considered to originate from contracts with customers. The table below disaggregates the revenue from contracts with customers into the significant service lines.

	Products and services transferred at a point in time 2020 £000	Products and services transferred over time 2020 £000	Total 2020 £000
Asset management commissions	7,011	-	7,011
Other fees and commissions	-	157	157
	<u>7,011</u>	<u>157</u>	<u>7,168</u>
	Products and services transferred at a point in time 2019 £000	Products and services transferred over time 2019 £000	Total 2019 £000
Asset management commissions	11,576	-	11,576
Other fees and commissions	-	191	191
	<u>11,576</u>	<u>191</u>	<u>11,767</u>

4. Finance income

	Year ended 2020 £000	Year ended 2019 £000
Interest on bank deposits	<u>2</u>	<u>6</u>

5. Finance costs

	Year ended 2020 £000	Year ended 2019 £000
Interest on lease liabilities	<u>13</u>	<u>2</u>

6. Staff numbers and costs

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

	Year ended 2020 No.	Year ended 2019 No.
Directors	6	6
Administration	57	66
	<u>63</u>	<u>72</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Staff numbers and costs *(continued)*

	Year ended 2020 £000	Year ended 2019 £000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	1,342	2,185
Social security costs	165	199
Other pension costs	63	61
	<u>1,570</u>	<u>2,445</u>

Wages and salaries are stated after crediting £369,000 (2019: £nil) of government grants received under the Coronavirus Job Retention scheme (CJRS). Further details are provided in note 20.

	£000	£000
Directors' emoluments		
Directors' emoluments	287	326
Company contributions to defined contribution pension plans	8	7
	<u>295</u>	<u>333</u>

The aggregate emoluments of the highest paid director was £231,952 (2019: £225,755), and contributions of £7,599 (2019: £7,550) were made to defined contribution pension schemes. During the year a total of £nil (2019: £36,997), became payable under the long term incentive scheme and £33,283 (2019: £37,369) was paid out to Directors for amounts past due under this scheme.

Three (2019: three) of the directors are not directly remunerated by the Company. The notional allocation of cost to the Company for their services was £39,001 (2019: £87,151).

There are not considered to be further key management personnel other than the Directors of the Company noted above.

7. Tax expense

	Year ended 2020 £000	Year ended 2019 £000
a) Analysis of expense in the year at 19% (2019: 19%)		
Current tax expense		
Current tax at 19% (2019: 19%)	171	242
Adjustment for prior years	(6)	(3)
Total current tax expense	<u>165</u>	<u>239</u>
Deferred tax		
Current year	9	(6)
Adjustment in respect of prior periods	5	2
Tax rate changes	(5)	-
Total deferred tax debit / (credit)	<u>9</u>	<u>(4)</u>
Tax expense	<u>174</u>	<u>235</u>

b) Factors affecting tax expense in the year

The tax assessed in the Income Statement is lower (2019: lower) than the standard UK corporation tax rate because of the following factors:

Profit before tax	922	1,794
Tax on profit at UK standard rate of 19% (2019: 19%)	175	341
Effects of:		
Income not taxable for tax purposes	-	(114)
Adjustment in respect of prior periods	(1)	-
Expenses not deductible for tax purposes	5	7
Tax rate changes	(5)	1
Tax expense	<u>174</u>	<u>235</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Intangible assets

	Goodwill £000	Customer contracts & relationships £000	Total £000
Cost			
At 1 January 2020 and 31 December 2020	<u>557</u>	<u>1,444</u>	<u>2,001</u>
Amortisation and impairment losses			
At 1 January 2020	-	1,444	1,444
Amortisation for the year	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2020	<u>-</u>	<u>1,444</u>	<u>1,444</u>
Carrying amounts			
At 1 January 2020	<u>557</u>	<u>-</u>	<u>557</u>
At 31 December 2020	<u>557</u>	<u>-</u>	<u>557</u>
	Goodwill £000	Customer contracts & relationships £000	Total £000
Cost			
At 1 January 2019 and 31 December 2019	<u>557</u>	<u>1,444</u>	<u>2,001</u>
Amortisation and impairment losses			
At 1 January 2019	-	1,444	1,444
Amortisation for the year	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2019	<u>-</u>	<u>1,444</u>	<u>1,444</u>
Carrying amounts			
At 1 January 2019	<u>557</u>	<u>-</u>	<u>557</u>
At 31 December 2019	<u>557</u>	<u>-</u>	<u>557</u>

The above intangible assets arose on the acquisition of the trade and assets of Connells Asset Management in December 2014.

Goodwill and brands acquired in a business combination is allocated, at acquisition, to the individual cash generating units (CGUs) that are expected to benefit from that business combination. The only CGU is the Asset Management Business.

There was no impairment charge during the year. The recoverable amounts of goodwill and brands are determined from value-in-use calculations for the CGU listed above.

Key assumptions

The calculation of value-in-use is most sensitive to the following assumptions:

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

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

The growth rate reflects how management believe the business will perform over the long term, and extrapolate cash flows for subsequent years (up to an additional 10 years) based on a long-term growth rate of 2.5% (2019: 2.5%).

Discount rates reflect management's estimate of the post-tax Weighted Average Cost of Capital (WACC) of the Company and this is the benchmark used by management to assess operating performance and to evaluate future acquisition proposals. The pre-tax discount rate was 13.55% (2019: 10.00%).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Intangible assets (continued)

Sensitivities

Management has undertaken sensitivity analyses to determine the effect of changes in assumptions on the 2020 impairment review. The key assumptions driving the carrying values are the discount rate applied to the cash flow forecasts and the growth rates within the cash flow forecast. It would require a significant decline in performance to trigger an impairment. To test the sensitivity the discount rate was increased by 50%, CGUs carrying value would still exceed the asset value. The sensitivity to the long term growth rate was also decreased by 35%, the CGUs carrying value would still exceed the asset value. For the 5 year cash flows growth the rate was decreased by 75%, the carrying value would still exceed the asset value.

9. Property, plant and equipment

	Office equipment £000	Total £000
Cost		
At 1 January 2020	271	271
Additions	9	9
Disposals	-	-
At 31 December 2020	<u>280</u>	<u>280</u>
Accumulated depreciation and impairment		
At 1 January 2020	226	226
Depreciation charge for the year	23	23
Disposals	-	-
At 31 December 2020	<u>249</u>	<u>249</u>
Carrying amounts		
At 1 January 2020	<u>45</u>	<u>45</u>
At 31 December 2020	<u>31</u>	<u>31</u>
	Office equipment £000	Total £000
Cost		
At 1 January 2019	241	241
Additions	35	35
Disposals	(5)	(5)
At 31 December 2019	<u>271</u>	<u>271</u>
Accumulated depreciation and impairment		
At 1 January 2019	212	212
Depreciation charge for the year	19	19
Disposals	(5)	(5)
At 31 December 2019	<u>226</u>	<u>226</u>
Carrying amounts		
At 1 January 2019	<u>29</u>	<u>29</u>
At 31 December 2019	<u>45</u>	<u>45</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Right-of-use assets

	Land and buildings £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2020	94	46	140
Additions	1,016	49	1,065
Disposals	(94)	(24)	(118)
At 31 December 2020	1,016	71	1,087
Accumulated depreciation and impairment			
At 1 January 2020	84	13	97
Depreciation charge for the year	94	21	115
Disposals	(94)	(24)	(118)
At 31 December 2020	84	10	94
Carrying amounts			
At 1 January 2020	10	33	43
At 31 December 2020	932	61	993

	Land and buildings £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2019	94	30	124
Additions	-	22	22
Disposals	-	(6)	(6)
At 31 December 2019	94	46	140
Accumulated depreciation and impairment			
At 1 January 2019	-	-	-
Depreciation charge for the year	84	19	103
Disposals	-	(6)	(6)
At 31 December 2019	84	13	97
Carrying amounts			
At 1 January 2019	94	30	124
At 31 December 2019	10	33	43

11. Fixed asset investments

	Shares in Group Undertakings £
Cost	
At 31 December 2020 and 2019	3

The Company owns 100% of the ordinary issued share capital of AMG North East Limited and AMG Projects Limited. Both of these companies are registered in England and Wales.

The principal activities of the subsidiary companies are the arrangement of the sale of properties or associated services, including maintenance of properties in preparation for sale.

The registered office of both these companies is 13-21 High Street, Guildford, Surrey, GU1 3DG.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Trade and other receivables

	31 December 2020 £000	31 December 2019 £000
Trade receivables	604	933
Amounts due from group companies	25	77
Contract assets	608	1,281
Prepayments and accrued income	117	31
	<u>1,354</u>	<u>2,322</u>

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

	31 December 2020 £000 Gross	31 December 2020 £000 Impairment	31 December 2019 £000 Gross	31 December 2019 £000 Impairment
Not past due	256	-	659	-
Past due 0 – 30 days	115	-	68	-
Past due 31 – 120 days	121	-	137	-
Past due 120 days plus	112	-	69	-
	<u>604</u>	<u>-</u>	<u>933</u>	<u>-</u>

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

13. Trade and other payables

	31 December 2020 £000	31 December 2019 £000
Due within one year		
Trade payables	43	222
Amounts owed to group undertakings	268	149
Other taxes and social security costs	179	322
Accruals and deferred income	491	739
	<u>981</u>	<u>1,432</u>
Due after more than one year		
Accruals and deferred income	<u>143</u>	<u>224</u>

14. Lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Group	Year ended 2020 £000	Year ended 2019 £000
Cost		
At 1 January	43	124
Additions	1,064	22
Interest charged	13	2
Lease payments	(76)	(105)
At 31 December	<u>1,044</u>	<u>43</u>

The present value of lease liabilities by repayment date is as follows.

	Year ended 2020 £000	Year ended 2019 £000
<i>Lease liabilities are repayable:</i>		
In not more than 3 months	6	17
In more than 3 months but less than 1 year	59	13
In more than 1 year but less than 5 years	506	13
In more than 5 years	473	-
	<u>1,044</u>	<u>43</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. Lease liabilities (continued)

The discount rates for the leases disclosed above ranged from 0.6% to 2.1%. The Group has several lease contracts that include termination options, usually through a break clause. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and adapt to the Group's business needs. Management exercises judgement in determining whether these termination options are reasonably certain to be exercised.

15. Deferred tax

Deferred taxes are calculated on temporary differences under the liability method using an effective tax rate of 19% (2019: 17%) as this is the enacted rate that is expected to apply when the temporary differences reverse.

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

	Year ended 2020 £000	Year ended 2019 £000
At 1 January	52	48
Adjustment in respect of prior years	(5)	(2)
Deferred tax (charge) /credit to the income statement	(4)	6
At 31 December	43	52

	Asset £000	(Charged)/ credited to income £000
2020		
Property, plant and equipment	-	(2)
Provisions	43	(7)
	43	(9)
2019		
Property, plant and equipment	2	(1)
Provisions	50	5
	52	4

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.

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. As this rate was not substantively enacted at the year end, deferred tax has been calculated based on the prevailing rate of 19%. The maximum impact of the new 25% rate on the deferred tax asset would be an increase of £13,000.

16. Defined contribution pension scheme

The Company operates a Group Personal Pension Plan, the assets of which are held separately from those of the Company, as independently administered funds. The amount charged to the Income Statement in respect of the Group Personal Pension Plan is the contribution payable in the year by the Company and amounted to £62,628 (2019: £61,058). The Company had contributions of £17,182 outstanding at the end of the financial year (2019: £nil).

17. Share capital

	31 December 2020 £000	31 December 2019 £000
Authorised, allotted, called up and fully paid		
200 £1 Ordinary shares	-	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17. Share capital (continued)

Management of capital

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

	Year ended 2020 £000	Year ended 2019 £000
Capital		
Ordinary shares	-	-
Retained earnings	2,588	2,440
	<u>2,588</u>	<u>2,440</u>

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services 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 capital position is reported to the Board regularly. The capital position is also given due consideration when corporate plans are prepared.

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.

2020	Ultimate parent undertaking £000	Parent undertaking £000	Other group Companies £000	Subsidiary undertakings £000
a) Sales of goods and services				
Commissions receivable	-	-	29	-
Total	<u>-</u>	<u>-</u>	<u>29</u>	<u>-</u>
b) Purchase of goods and services	-	(105)	(590)	(1,038)
Total	<u>-</u>	<u>(105)</u>	<u>(590)</u>	<u>(1,038)</u>
c) Outstanding balances				
Receivables from related parties	-	-	-	25
Payables to related parties	-	(246)	(9)	(13)
Total	<u>-</u>	<u>(246)</u>	<u>(9)</u>	<u>12</u>
2019	Ultimate parent undertaking £000	Parent undertaking £000	Other group Companies £000	Subsidiary undertakings £000
a) Sales of goods and services				
Commissions receivable	-	-	200	-
Total	<u>-</u>	<u>-</u>	<u>200</u>	<u>-</u>
b) Purchase of goods and services	-	(99)	(947)	(2,093)
Total	<u>-</u>	<u>(99)</u>	<u>(947)</u>	<u>(2,093)</u>
c) Outstanding balances				
Receivables from related parties	-	-	52	25
Payables to related parties	-	(11)	(42)	(96)
Total	<u>-</u>	<u>(11)</u>	<u>10</u>	<u>(71)</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18. Related party transactions (continued)

P A Rooney, a director of the Company, is a director and controlling shareholder in Arun Estate Agencies Limited, he is also a minority shareholder in The Asset Management Group Limited. The Company has purchased goods and services of £52,891 (2019: £99,615) from Arun Estate Agencies Limited during the year. The Company has payables due to Arun Estate Agencies Limited of £1,050 as at 31 December 2020 (2019: £12,000).

Connells Limited, the Company's immediate parent company, has a minority shareholding in Vibrant Energy Matters Limited. The Company has purchased goods and services of £33,875 (2019: £50,016) from Vibrant Energy Matters Limited. The Company has payables due to Vibrant Energy Matters Limited of £536 as at 31 December 2020 (2019: £1,880).

There are no provisions in respect of receivables balances due from Related Parties, either at 31 December 2020 or at 31 December 2019. All transactions are dealt with at arm's length on normal credit terms.

19. Capital commitments

The Company had no capital commitments at the year end (2019: £nil).

20. Government grants

	2020 Company £000	2019 Company £000
At 1 January	-	-
Received during the year	(344)	-
Released to the income statement	369	-
At 31 December	25	-
Current	25	-
Non-current	-	-

Government grants have been received relating to the Government Coronavirus Job Retention Scheme, within employee benefit expenses in note 6. During the year the Company also deferred its Q2 VAT payment of £189,000, but this was paid before the year end.

21. Financial instruments

Financial risks

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

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

Liquidity risk

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

The Company's liquidity policy is to maintain sufficient liquid resources to cover imbalances and fluctuations in funding, to maintain solvency of the Company and to enable the Company to meet its financial obligations as they fall due. This is achieved through maintaining a prudent level of liquid assets and through rigorous management control of the growth of the business.

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

	2020					
	Carrying amount £000	Contractual cash flows £000	In not more than three months £000	In more than 3 months but less than 1 year £000	In more than one year but not more than 5 years £000	In more than 5 years £000
Trade and other payables	856	677	713	-	143	-
Amounts owing to group companies	268	268	268	-	-	-
Lease liabilities	1,044	1,114	6	59	506	543
Total	2,168	2,059	987	59	649	543

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

21. Financial instruments (continued)

Liquidity risk (continued)

2019	Carrying amount £000	Contractual cash flows £000	In not more than three months £000	In more than 3 months but less than 1 year £000	In more than one year but not more than 5 years £000	In more than 5 years £000
Trade and other payables	1,507	1,185	1,283	-	224	-
Amounts owing to group companies	149	149	149	-	-	-
Lease liabilities	43	45	16	14	15	-
Total	1,699	1,379	1,448	14	239	-

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

Market risk

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

Currency risk

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

Interest rate risk

The Company has no interest bearing liabilities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Based on historic default rates and the current debtor profile, the Company believes that no impairment provision is necessary in respect of its trade and other receivables. For maximum credit exposure see note 11. Management carefully manages its exposure to credit risk.

The Company's financial assets (excluding available-for-sale financial assets) at the year-end were as follows:

	Year ended 2020 £000	Year ended 2019 £000
Cash and cash equivalents	1,807	1,248
Trade receivables	542	933
Amounts due from group undertakings	25	77
	2,374	2,258

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

There are no significant concentrations of credit risk within the Company. The Company is exposed to credit risk from sales. It is Company policy to assess the credit risk of major new customers before entering contracts. The majority of customers use the Company's services as part of a housing transaction and consequently the sales are paid from the proceeds of the house sale. The majority of the commercial customers are large financial institutions and as such the credit risk is not significant. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. The following table presents a breakdown of the gross trade receivables between the main types of customer:

	2020 £000	2019 £000
Individual customers	-	-
Other commercial customers	542	933
	542	933

The cash and cash equivalents consist only of bank balances, and is held with an institution with an A+ credit rating.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

21. Financial instruments (continued)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

22. Ultimate parent undertaking

The Company is a 75% 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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