

**Nottingham Mortgage Services Limited**

**Directors' Report and Financial  
Statements**

Registration number 03089887

Year ended 31 December 2018



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## Directors' report

The directors present their report and the financial statements for the year ended 31 December 2018.

### Principal activity

The principal activity of the Company is that of mortgage broking.

### Business review

Nottingham Mortgage Services ("NMS") is a wholly owned subsidiary of Nottingham Building Society and an appointed representative of Intrinsic Mortgage Planning Limited, which is itself regulated by the Financial Conduct Authority.

The directors are pleased with the performance of the Company in 2018, with a continued increase in income generated which has given rise to strong profit levels. This has given the opportunity for the directors to approve the payment of a dividend again.

Performance is measured by reference to a range of key performance indicators, as detailed below:

	2018	2017
Total income £'000:	1,793	1,621
Number of mortgage applications received:	2,790	2,605

### Results and dividends

The profit for the year, after taxation, amounted to £342,000 (2017: £367,000).

The directors recommended and approved an interim dividend payment of £350,000 (2017: £350,000) on 12 December 2018.

### Directors

The directors who served during the year and up to the date of signing the accounts, were:

S J Taylor – resigned 5 October 2018  
D J Marlow  
D W Mundy  
T M Hayton-Banks – appointed 20 November 2018

Certain indemnification arrangements are in place in respect of the directors of the Company.

### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Small company exemptions

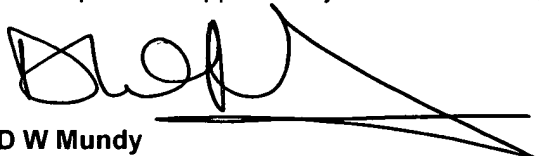
This report has been prepared in accordance with the special provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

## **Directors' report** *(continued)*

### **Auditors**

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf:

A handwritten signature in black ink, appearing to be 'D W Mundy', written over a horizontal line.

**D W Mundy**

Director

14 March 2019

## **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under Company law the directors must not approve the financial statements unless 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 International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

## **Independent auditor's report to the shareholders of Nottingham Mortgage Services Limited**

### **Opinion**

We have audited the financial statements of Nottingham Mortgage Services Limited for the year ended 31 December 2018 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In our opinion, the financial statements:

- give a true and fair view 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 United Kingdom Generally Accepted Accounting Practice; 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.

### **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.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **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.

## **Independent auditor's report to the shareholders of Nottingham Mortgage Services Limited**

### **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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

### **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 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;
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

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.



Steven Robb (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP,  
Statutory Auditor  
Leeds  
14 March 2019

**Statement of comprehensive income**  
*for the year ended 31 December 2018*

	Notes	<b>2018</b> <b>£'000</b>	2017 £'000
Turnover	4	<b>1,793</b>	1,621
Cost of sales		<b>(963)</b>	(819)
<b>Gross profit</b>		<b>830</b>	802
Distribution costs		<b>(50)</b>	(50)
Administrative expenses		<b>(358)</b>	(298)
<b>Operating profit</b>	6	<b>422</b>	454
<b>Profit on ordinary activities before taxation</b>		<b>422</b>	454
Taxation charge on ordinary activities	8	<b>(80)</b>	(87)
<b>Profit for the financial year</b>		<b>342</b>	367
<b>Total comprehensive income for the year</b>		<b>342</b>	367

There were no recognised gains and losses for the financial year other than those included in the profit for the financial year above.

The notes on pages 9 to 17 form part of these financial statements.

**Statement of financial position**  
*as at 31 December 2018*

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Investments	9	-	-
		<hr/>	<hr/>
		-	-
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	47	70
Cash at bank and in hand	11	361	341
		<hr/>	<hr/>
		408	411
Creditors: amounts falling due within one year	12	(285)	(278)
		<hr/>	<hr/>
<b>Net current assets</b>		123	133
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		123	133
		<hr/>	<hr/>
<b>Net assets</b>		123	133
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Retained earnings		123	133
		<hr/>	<hr/>
		123	133
		<hr/>	<hr/>

The notes on pages 9 to 17 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**D W Mundy**  
Director

14 March 2019

**Registered number: 03089887**

**Statement of changes in equity**  
*as at 31 December 2018*

	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
At 1 January 2018	-	133	133
Changes on initial recognition of IFRS 9 (note 17)		(2)	(2)
<b>Comprehensive income for the year</b>			
Profit for the year	-	342	342
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>342</b>	<b>342</b>
<b>Transaction with owners of the Company, recognised directly in equity</b>			
Dividends paid	-	(350)	(350)
<b>As at 31 December 2018</b>	<b>-</b>	<b>123</b>	<b>123</b>

	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
At 1 January 2017	-	116	116
<b>Comprehensive income for the year</b>			
Profit for the year	-	367	367
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>367</b>	<b>367</b>
<b>Transaction with owners of the Company, recognised directly in equity</b>			
Dividends paid	-	(350)	(350)
<b>As at 31 December 2017</b>	<b>-</b>	<b>133</b>	<b>133</b>

The notes on pages 9 to 17 form part of these financial statements.

## Notes to the financial statements

### 1. Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The Company is exempt from preparing consolidated group financial statements under s400 of the Companies Act 2006. The results of the Company and its subsidiaries are included in the consolidated financial statements of the ultimate parent company, Nottingham Building Society.

### 2. Accounting policies

The following principal accounting policies have been applied.

#### a) *New accounting standards*

With effect from 1 January 2018, the Company applies, for the first time IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. The Company has therefore changed its accounting policies and made retrospective adjustments, where required, as a result of adopting these new standards.

The impact of IFRS 9 on the Company has been disclosed in note 17. There is no impact on the financial statements of the Company as a result of adopting IFRS 15 and therefore no separate note and change to accounting policy has been presented. There has been no restatement of comparative periods as a result of adopting the new standards.

#### b) *Financial reporting standard 101 – reduced disclosure exemptions*

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 Financial Instruments: Disclosures;
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73(e) of IAS 16 Property Plant and Equipment;
  - Paragraph 118(e) of IAS 38 Intangible Assets.
- The requirements of paragraph 10(d), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

#### c) *Turnover*

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover represents income receivable from fees and commissions. Fee income is recognised when the performance obligations of the contract have been fulfilled and Company has completed the services it performs. Commission is recognised on the inception date of the product for service.

## Notes to the financial statements *(continued)*

### 2. Accounting policies *(continued)*

#### **d) Investment in subsidiaries**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, which have been classified as fixed asset investments as the Company intends to hold them on a continuing basis, are remeasured to market value at each Statement of financial position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

#### **e) Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **f) Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual term expires. The Company's accounting policies in respect of financial instrument transactions are explained below:

#### **Financial assets (IAS 39 applicable to 31 December 2017)**

The Company classifies all of its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost, using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

#### **Financial assets (IFRS 9 applicable from 1 January 2018)**

The Company classifies the majority of its financial assets as amortised cost. This comprises all financial assets whose business model is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'). The carrying value of these assets is adjusted by any expected credit loss allowance recognised.

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ('FVOCI') are classified as fair value through profit or loss ('FVPL'). The Company recognises its intercompany balances as FVPL.

The Company assesses for impairment on a forward-looking basis, the expected credit losses ('ECL') associated with its financial assets carried at amortised cost. The allowance is based on the ECLs associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since origination.

The Company reviews the external credit ratings of its liquid assets at each reporting date. The Company has cash balances in financial institutions, which is immediately accessible and is therefore considered to be low credit risk and therefore assumed to have not had a significant increase in credit risk since initial recognition.

## Notes to the financial statements *(continued)*

### 2. Accounting policies *(continued)*

#### *f) Financial instruments (continued)*

##### **Financial liabilities**

Under IAS 39, to 31 December 2017, the Company classifies all of its financial liabilities as liabilities at amortised cost. Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expenses over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of financial position.

Under IFRS 9, from 1 January 2018, amounts due to group undertakings are classified as FVPL.

#### *g) Pensions*

The Company participates in a group wide defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period.

#### *h) Current and deferred taxation*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

#### **Financial statements**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amount reported for assets and liabilities as at the balance sheet date and the amount reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

#### **Clawback of turnover**

Turnover recognised may be subject to clawback in future periods. Management monitors and forms an ongoing assessment of this by considering historical levels of turnover that has been clawed back. The Company therefore exercises a degree of estimation in this review.

#### **Amounts owed by/to group undertakings**

Management use judgement in calculating the fair value of amounts owed by/to group undertakings. These are calculated based on discounted cash flows. The Company therefore exercises a degree of estimation in determining these cash flows and the discount rate applied.

## Notes to the financial statements *(continued)*

### 4. Turnover

	2018 £'000	2017 £'000
Fees and commissions receivable	<u>1,793</u>	<u>1,621</u>

All turnover arose within the United Kingdom.

### 5. Dividends paid

The Company declared and paid dividends of £350,000 (£175,000 per share) in 2018 (2017: £350,000). There are no dividends declared that remain outstanding for payment at 31 December 2018 (2017: £nil).

### 6. Operating profit

The operating profit is stated after charging:

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<u>5</u>	<u>5</u>

During the year, the directors have not received any remuneration in respect of qualifying services (2017: £nil). All costs are borne by the ultimate parent, Nottingham Building Society, and no recharge is made.

### 7. Employees

Staff costs were as follows:

	2018 £'000	2017 £'000
Wages and salaries	897	876
Social security costs	92	76
Other pension costs	34	35
	<u>1,023</u>	<u>987</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 Number	2017 Number
Sales team and support	<u>26</u>	<u>25</u>

## Notes to the financial statements (continued)

### 8. Taxation

	2018 £'000	2017 £'000
<b>Corporation tax</b>		
Current tax on profit for the year	80	87
<b>Total current tax charge</b>	<u>80</u>	<u>87</u>
<b>Deferred tax</b>		
Current year	-	-
Effect of changes in tax rates	-	-
<b>Total deferred tax charge</b>	<u>-</u>	<u>-</u>
<b>Total tax charge on profit on ordinary activities</b>	<u>80</u>	<u>87</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is equal to (2017: equal to) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	422	454
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	80	87
<b>Effects of:</b>		
Expenses not deductible	-	-
Change in tax rates	-	-
<b>Total tax charge for the year</b>	<u>80</u>	<u>87</u>

#### Factors that may affect future tax charges

The Finance Act 2015 reduced the future rate of UK corporation tax from 20% to 19% with effect from 1 April 2017. Furthermore, the Finance Act 2016, following its enactment in September 2016, reduced the future rate further to 17% with effect from 1 April 2020.

Deferred tax assets and liabilities are measured at whichever of these enacted tax rates are expected to apply when the related asset is realised or liability is settled.

## Notes to the financial statements *(continued)*

### 9. Investment in subsidiaries

	Investment in subsidiary company £'000
Cost or valuation	
<b>At 1 January and 31 December 2018</b>	<b>-</b>

The following is a subsidiary undertaking of the Company:

<b>Name</b>	<b>Country of incorporation</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
The Mortgage Advice Centre (East Midlands) Limited	United Kingdom	Ordinary	100%	dormant

The registered office of the subsidiary undertaking is disclosed in note 16.

### 10. Debtors

	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Due within one year</b>		
Amounts owed by group undertakings	-	1
Prepayments and accrued income	47	69
	<b>47</b>	<b>70</b>

### 11. Cash and cash equivalents

	<b>2018 £'000</b>	<b>2017 £'000</b>
Cash at bank and in hand	361	341

### 12. Creditors: Amounts falling due within one year

	<b>2018 £'000</b>	<b>2017 £'000</b>
Amounts owed to group undertakings	163	169
Accruals and deferred income	122	109
	<b>285</b>	<b>278</b>

## Notes to the financial statements *(continued)*

### 13. Share capital

	2018 £'000	2017 £'000
<b>Authorised, allotted, called up and fully paid</b>		
2 ordinary shares of £1 each	-	-

### 14. Pension commitments

The Company participates in the Nottingham Building Society group wide defined contribution pension scheme. The pension cost for the year represents contributions payable by the Company to the scheme and amounted to £34,000 (2017: £35,000). There were no outstanding or prepaid contributions at either the beginning or end of the year.

### 15. Controlling party

The Company's immediate and ultimate parent undertaking is Nottingham Building Society. The Company is included within the group accounts, which may be obtained from Nottingham House, 3 Fulforth Street, Nottingham, NG1 3DL.

### 16. Registered office

Nottingham Mortgage Services Limited is a company, incorporated and domiciled in the United Kingdom. The address of its registered office is: Nottingham House, 3 Fulforth Street, Nottingham, NG1 3DL.

## Notes to the financial statements *(continued)*

### 17. Changes to accounting policies

The adoption of IFRS 9 'Financial Instruments' has had the following overall impact on the financial statements of the Company:

	31 December 2017 as originally presented IAS 39 £'000	IFRS 9 adjustment £'000	1 January 2018  Restated IFRS 9 £'000
<b>Fixed assets</b>			
Investments	-	-	-
	-	-	-
<b>Current assets</b>			
Debtors: amounts falling due within one year	70	-	70
Cash at bank and in hand	341	(2)	339
	411	(2)	409
Creditors: amounts falling due within one year	(278)	-	(278)
<b>Net current assets</b>	133	(2)	131
<b>Total assets less current liabilities</b>	133	(2)	131
<b>Net assets</b>	133	(2)	131
<b>Capital and reserves</b>			
Called up share capital	-	-	-
Retained earnings	133	(2)	131
	133	(2)	131

The total impact on the Company's retained earnings as at 1 January 2018 is as follows:

	£'000
Closing retained earnings 31 December – IAS 39	133
Recognition of provision for cash at bank	(2)
Opening retained earnings 1 January – IFRS 9	131

## Notes to the financial statements *(continued)*

### 17. Changes to accounting policies *(continued)*

#### ***Classification & measurement***

On 1 January 2018 (the date of initial application of IFRS 9), the Company has assessed which business models apply to the financial assets held and has classified its financial instruments into the appropriate IFRS 9 categories. The Company has determined that the majority of its financial assets are to be classified at amortised cost, which relates to financial assets whose business model is to hold for collection of the contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'). The carrying value of these assets is adjusted by any expected credit loss allowance recognised.

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ('FVOCI') are classified as fair value through profit or loss ('FVPL'). The Company recognises its intercompany balances as FVPL.

As a consequence of the adoption of IFRS 9 across the wider group, amounts owed to and by group undertakings are classified as FVPL. This has also resulted in financial liabilities for amounts due to group undertakings now being classified as FVPL.

There is no overall impact to the financial statements as a result of adoption of the 'classification & measurement' module of IFRS 9.

#### ***Impairment***

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its financial assets carried at amortised cost. The allowance is based on the ECLs associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since origination.

The day one impact of adopting the impairment requirements of IFRS 9 is a £2,000 impairment to the balance of cash at bank. This balance has reduced in the year and is immaterial to the financial statements at 31 December 2018.