

Fitzalan Partners Ltd

Annual report and financial statements

Registered number 07314708

31 December 2019

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Company information

Company registration number	07314708
Registered office	1430 Montagu Court Kettering Parkway Kettering Northamptonshire NN15 6XR
Directors	J R Atkinson W D Herbertson C M Higham J D Saralis
Secretary	J D Saralis
Bankers	Yorkshire Bank plc Birmingham Financial Solutions Centre Temple Point No.1 Temple Row Birmingham B2 5YB
Solicitors	Pinsent Masons LLP 55 Colmore Row Birmingham B3 2FG

Strategic report

Principal activities

The Company is principally engaged in the provision of online marketing services for home buyers and sellers in England and Wales, on behalf of law firms and surveyors, providing access to providers of local authority and environmental searches.

Trading results

The Directors are satisfied with the performance of the Company for year ended 31 December 2019 given the impact of the UK's decision to leave the European Union on the residential property market. Turnover for the year is £2,586,000 (2018: £2,394,000), gross profit for the year is £1,628,000 (2018: £1,760,000) and operating loss for the year is £3,004,000 (2018: operating profit £276,000). The loss for the year includes an exceptional impairment charge of £2,374,000 in respect of the investment in Searches UK Limited, goodwill and intangible assets. The Directors are also satisfied with the balance sheet position at the year end.

Principal risks and uncertainties

The Directors have the ultimate responsibility for setting the Company's risk appetite and for effective management of risk. Management of risk and review of key risks is performed when appropriate. The Directors consider that the Company does not currently face significant business or other risks and uncertainties over the short term other than the following:

Loss of key suppliers

The Company uses a small number of key suppliers. The loss of these suppliers could have a significant impact on the Company's operating ability and profitability. This risk is managed through a dedicated Business Development Manager who ensures our relationships with these key suppliers are maintained.

UK's decision to leave the European Union

The general election result in December 2019 has provided certainty to the market and the Company has put in the investment and growth strategy in 2019 to take advantage. However there may be significant changes in areas such as taxes and duties which may affect the market.

COVID-19

The business continues to be impacted by the global COVID-19 pandemic that emerged in the UK at the beginning of 2020. Detailed risks for the business include the health and availability of our people to run the business, in particular key individuals; accessibility of our customers and their appetite for our services during the peak of the outbreak; the resilience of suppliers and partners; the resilience of our systems and the ability of our people to work from alternative locations. In addition to operational risks, there are financial risks stemming from the potential for delayed receipts of cash if customers start to preserve their own cash; and the impact of a downturn in our revenues. Management has developed a set of plans to mitigate the potential impact on our staff and customers. These include the ability to work remotely using existing technology. We are working closely with key suppliers to safeguard continuity of service; and, having stress-tested our financial models, we are adapting our plans to delay discretionary spend and capital expenditure until the outlook becomes more clear.

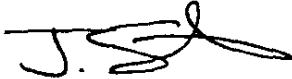
As part of our normal management process, we prepare detailed projections of future trading, which, include the impact for possible changes in market or regulatory conditions. Based on these projections we remain positive about the Company's short and longer term prospects.

Key performance indicators

The Company maintains a strict control over the key indicators for the business, measuring and reporting internally on the appropriate KPIs to ensure safeguarding of the shareholder's investment and customer satisfaction. Included in these KPIs is a review of turnover, and gross and operating profit against budget and rolling forecasts; other KPIs are more business specific.

It is also important to ensure that high quality personnel are retained in the business. The Company operates a company wide appraisal programme for its entire staff.

By order of the board



J D Saralis
Director

12 August 2020

1430 Montagu Court
Kettering Parkway
Kettering
Northants
NN15 6XR

Directors' report

The Directors present their annual report and the financial statements for the year ended 31 December 2019.

Directors

The Directors who held office during the year were as follows:

J R Atkinson
W D Herbertson
C M Higham
J D Saralis

Dividends

No dividends were paid in the current or prior year.

Going concern

The Company has a positive cash balance at the year end. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. As part of normal management process detailed projections of future trading are prepared, which include sensitivity analysis for possible changes in market or regulatory conditions. Based on these projections the Board remain positive about the company's short and longer term prospects. Accordingly, the directors continue to adopt the going concern basis in preparing the directors' report and financial statements.

Financial risk management

Through its activities the Company is exposed to a number of risks. The principal risks facing the business are set out below:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Management consider the credit risk to be mitigated as a result of a) a detailed process and protocol for communicating with counterparty when risk arises and b) only offering significant deferred terms to those PLFs with whom the Company holds strategic partnerships and after satisfactory credit checks have been obtained.

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company has access to a group rolling credit facility through a fellow Group member, and aims to maintain a balance between continuity of funding and flexibility through the use this facility to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Directors have ultimate responsibility for the Company's financial risk management policy and they manage this through the maintenance and review of a risk register and careful monitoring of receivables, cash and financing on a monthly basis.

Indemnity provision

The Ultimate Parent Company of the Company maintained during the period and to the date of approval of the financial statements, indemnity insurance for its Directors and Officers against liability in respect of proceedings brought by third parties, subject to the terms and conditions of the Companies Act 2006.

Future developments

No significant changes to current business operations are expected and no significant events have occurred since the end of the financial period.

By order of the board



J D Saralis
Director

12 August 2020

1430 Montagu Court
Kettering Parkway
Kettering
Northants
NN15 6XR

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Profit and Loss Account
for the year ended 31 December 2019

	<i>Note</i>	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Turnover	<i>2</i>	2,586	2,394
Cost of sales		(958)	(634)
Gross profit		1,628	1,760
Administrative expenses		(4,632)	(1,484)
Operating (loss)/profit	<i>3</i>	(3,004)	276
Interest payable and similar charges	<i>4</i>	(3)	-
(Loss)/profit before taxation		(3,007)	276
Taxation	<i>7</i>	9	96
(Loss)/profit and total comprehensive income for the financial year		(2,998)	372

All results reported above arise from continuing operations.

The notes on pages 12 to 24 form part of these financial statements.

Balance Sheet
at 31 December 2019

	<i>Note</i>	December 2019 £000	December 2019 £000	December 2018 £000	December 2018 £000
Fixed assets					
Goodwill	8	-		40	
Investments	9	-		2,080	
Intangible assets	10	33		408	
Tangible assets	11	35		21	
Right of use assets	12	64		-	
Deferred tax	15	5		1	
			137		2,550
Current assets					
Debtors	13	887		1,101	
Cash at bank and in hand		109		24	
Creditors: amounts falling due within one year	14	996		1,125	
Lease liabilities	12	(1,682)		(1,248)	
Net current liabilities			(723)		(123)
Total assets less current liabilities			(586)		2,427
Net (liabilities)/assets			(586)		2,427
Capital and reserves					
Called up share capital	20		1		1
Retained earnings			(587)		2,426
Total Equity			(586)		2,427

The notes on pages 12 to 24 form part of these financial statements.

For the year ended 31 December 2019, the Company was entitled to exemption from audit under section 479A of the Companies Act relating to qualifying subsidiaries.

Members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements were approved by the board of Directors on date 12 August 2020 and were signed on its behalf by:



J D Saralis
Director

Registered number: 07314708

Statement of Changes in Equity

For the year ended 31 December 2019

	Called up Share Capital	Retained Earnings	Total equity
	£000	£000	£000
Balance at 1 January 2018	1	2,054	2,055
Total comprehensive income for the year			
Profit for the financial year	-	372	372
Total comprehensive income	-	372	372
Balance at 31 December 2018 as previously reported	1	2,426	2,427
IFRS 16 – change in accounting policy (note 17)	-	(15)	(15)
Balance at 31 December 2018 as restated	1	2,411	2,412
Total comprehensive income for the year			
Loss for the financial year	-	(2,998)	(2,998)
Total comprehensive income	-	(2,998)	(2,998)
Balance at 31 December 2019	1	(587)	(586)

The notes on pages 12 to 24 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Fitzalan Partners Ltd (the “Company”) is a private company registered, incorporated and domiciled in the UK.

The registered number is 07314708 and the registered address is 1430 Montagu Court, Kettering Parkway, Kettering, Northamptonshire, NN15 6XR.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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.

The Company’s ultimate parent undertaking, NAHL Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of NAHL Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the corporate website (www.nahlgroupplc.co.uk) or from the address below:

NAHL Group plc
1430 Montagu Court
Kettering Parkway
Kettering
Northants
NN15 6XR

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of capital management;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of transactions with wholly owned subsidiaries.

As the consolidated financial statements of NAHL Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill

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

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Critical accounting judgements and key resources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates are based on past experience and other reasonable assessment criteria. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

In applying the Group's accounting policies, management have not identified any areas of judgement or estimates which are material to the amounts reported within the financial statements.

1.3 Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the net current liabilities of £586,000 (2018: net assets of £2,427,000) which the Directors believe to be appropriate for the following reason: Consumer Champion Group Limited has indicated that for at least 12 months from the date of approval of these financial statements, that they will not seek repayment of amounts currently outstanding on inter-company accounts. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other group entities for financial support the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors and cash and cash equivalents

Trade and other debtors and cash and cash equivalents are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. Impairment losses for trade and other debtors are measured using the expected credit loss model as permitted by IFRS 9.

Trade and other creditors, loans and borrowing

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1.5 Goodwill

Goodwill represents the excess of fair value of the consideration given over the fair value of the Company's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill is not amortised but is tested for impairment annually and again whenever indicators of impairment are detected and is carried at cost less any provision for impairment. Any impairment is recognised in the profit and loss account.

Notes (continued)

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Computer equipment 3 years
- Fixtures and fittings 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.7 Intangible assets

Software and assets under construction

Expenditure on internally generated brands is recognised in the profit and loss account as an expense as incurred.

Software that is acquired by the Company is stated at cost less accumulated amortisation and less accumulated impairment losses. Software assets are measured at the cost of bringing the asset into use. This may include externally incurred consultant costs or a proportion of internal time and salary where internal resource have been used to build the asset. Internally allocated time is based on hours spent bringing the asset into use multiplied by hourly salary rates.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Brands	3 years
Other intangibles	3 years

1.8 Investments

Fixed asset investments are stated at cost less any amount written off for permanent diminution in value.

1.9 Turnover

The Company receives income from the provision of online marketing services to target homebuyers and sellers in England and Wales and offering lead generation services to Panel Law Firms and surveyors in the conveyancing sector. Management consider there to be one performance obligation being the delivery of instructions to the Panel Law Firms and surveyors. Revenue is recognised at a point in time being the transfer of instruction to the Panel Law Firm or surveyor as it is at this point at which the Company has no further obligations in respect of the instruction and so control of the instruction passes to the customer. The full transaction price being the contractually agreed upon fixed fee per instruction is recognised as revenue at this point. All turnover is stated net of Value Added Tax.

1.10 Pension costs

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the profit and loss account.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes (continued)

1.11 Taxation (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

1.12 Leased Assets

Operating lease payments

The company as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Notes (continued)

2 Turnover

All turnover is derived from the company's principal business, being referral fees on Conveyancing and Survey transactions. All turnover arose within the United Kingdom.

3 Operating profit

Operating profit is stated after charging:

	2019 £000	2018 £000
Depreciation of fixed assets	13	34
Depreciation of right of use assets	127	-
Amortisation of intangible assets	162	95
Operating leases – land and buildings	-	151
Audit fees	-	19
	<u>202</u>	<u>309</u>

4 Interest payable

Interest payable consists of:

	2019 £000	2018 £000
Interest on lease liabilities	3	-
	<u>3</u>	<u>-</u>

5 Directors' remuneration

The Directors received £171,191 emoluments in respect of their services to the company (2018: £239,399). The emoluments in respect of the highest paid Director were £171,191 (2018: £132,576). £76,806 of Director fees were charged to the Company's subsidiary undertaking, Searches UK limited, for services provided during the year (2018: £98,500). Two Directors were paid by NAHL Group plc. The notional allocation of the cost to the company for their services was £15,000 (2018: £15,000). The company operates a defined contribution scheme for all employees including the Directors. Employer's contributions paid into the scheme in respect of Directors during the year were £2,498 (2018: £1,954).

6 Staff numbers and costs

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

	Number of employees 2019	2018
Directors	4	3
Other	23	19
	<u>27</u>	<u>22</u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	1,116	687
Social security costs	127	111
Other pension costs	29	31
	<u>1,272</u>	<u>829</u>

Notes (continued)

7 Tax on profit

Recognised in the profit and loss account

Analysis of credit for the year

	2019 £'000	2018 £'000
<i>UK corporation tax</i>		
Current tax on income for the year	-	41
Adjustments in respect of prior periods	(5)	(91)
Total current tax	(5)	(50)
<i>Deferred tax</i>		
Origination/reversal of timing differences	(4)	(46)
Total deferred tax	(4)	(46)
Tax on profit on ordinary activities	(9)	(96)

Factors affecting the tax for the current year

The tax for the year is higher (2018: lower) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £'000	2018 £'000
(Loss)/Profit for the financial year	(2,998)	372
Total tax credit	(9)	(96)
(Loss)/Profit before taxation	(3,007)	276
Tax using the UK corporation tax rate of 19.00% (2018: 19.00%)	(571)	52
Expenses not deductible for tax purposes	473	3
Group relief	90	(17)
Adjustments in respect of prior periods	(5)	(91)
Changes in deferred tax provisions	4	(43)
Total tax credit	(9)	(96)

Changes in tax rates and factors affecting the future tax charge

In the Spring Budget 2020 the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously announced). This new law was substantively enacted on 17 March 2020.

Notes (continued)

8 Goodwill

	£000
Cost	
At 1 January 2019 and 31 December 2019	40
Impairment	
At 1 January 2019	-
Charge for the year	40
At 31 December 2019	40
Net book value	
At 31 December 2018	40
At 31 December 2019	-

The goodwill arose on the acquisition of Best Value Conveyancing (BVC) and is tested for impairment annually. The recoverable amount of Goodwill is based on value in use which is calculated on the cash flows expected to be generated by the BVC website. Cashflows are based on the latest budgeted data for the coming year extrapolated at an annual growth rate and discounted for the time value of money.

9 Investments

	Interests in subsidiary undertakings £000
Cost	
At 1 January 2019 and 31 December 2019	2,080
Impairment	
At 1 January 2019	-
Charge for the year	2,080
At 31 December 2019	2,080
Net book value	
At 31 December 2018	2,080
At 31 December 2019	-

Notes (continued)

9 Investments (Continued)

The company's subsidiary undertakings are as follows:

Company	Country of Registration	Principal activity	Ownership	Holding
Searches UK Limited	United Kingdom	Conveyancing search provider	100%	Direct
Inside Eye Limited	United Kingdom	Dormant	100%	Indirect

The registered office of the all of the above subsidiaries is 1430 Montagu Court, Kettering Parkway, Kettering Venture Park, Kettering, Northants, NN15 6XR.

In light of the continuing uncertainty around the residential property market (which has been further impacted by the development of the COVID-19 situation in the first half of 2020), the Directors undertook an impairment review of goodwill, investments and intangibles assets at the end of 2019. The recoverable amount of these assets was calculated on a value in use basis using the latest operating cash forecasts. These forecasts indicate that there are insufficient cash flows to support the recoverable value of the investment in Searches UK Limited. As such, an impairment loss of £2,080,000 has been recognised in the statement of comprehensive income in relation to the investment and further impairment losses of £40,000 and £254,000 have been recognised against goodwill and intangible assets respectively. All impairment losses are included within administrative expenses in the statement of comprehensive income.

10 Intangible assets

	Brands £000	Other £000	Asset under construction £000	Total £000
Cost				
Balance at 1 January 2019	174	536	-	710
Additions	-	4	37	41
Transfer	-	30	(30)	-
Balance at 31 December 2019	174	570	7	751
Accumulated amortisation and impairment				
Balance at 1 January 2019	174	128	-	302
Amortisation charge for the year	-	162	-	162
Impairment charge for the year	-	254	-	254
Balance at 31 December 2019	174	544	-	718
Net book value				
At 31 December 2018	-	408	-	408
At 31 December 2019	-	26	7	33

Notes (continued)

11 Tangible assets

	Computer equipment £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 1 January 2019	58	87	145
Additions	26	1	27
Balance at 31 December 2019	84	88	172
Accumulated depreciation and impairment			
Balance at 1 January 2019	53	71	124
Depreciation charge for the year	4	9	13
Balance at 31 December 2019	57	80	137
Net book value			
At 31 December 2018	5	16	21
At 31 December 2019	27	8	35

12 Leases

This note provides information for leases where the Group is a lessee.
Amounts recognised in the balance sheet:

	December 2019 £'000
Right of use assets	
Buildings	64
	64

Lease liabilities of £37,000 have been recognised. In the previous year the company only recognised lease assets and lease liabilities that were classified as 'finance leases' under IFRS 17 leases. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 17.

The profit and loss account includes the following amounts in relation to leases:

	December 2019 £'000
Depreciation charge on right of use assets	
Buildings	127
	127
Interest expense	3
Expenses relating to leases of low value assets	-

13 Debtors

	2019	2018
	£000	£000
Trade debtors	297	255
Amounts owed to group undertakings	556	758
Prepayments and accrued income	34	88
	<u>887</u>	<u>1,101</u>

Included within the trade debtors balance is a £80,000 (2018: £21,000) provision for impairment. Amounts owed from group undertakings are unsecured, interest free and repayable on demand.

14 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	30	19
Amounts owed to group undertakings	1,488	1,081
Corporation tax	-	42
Liability for pension and social security	86	64
Accrued and deferred income	65	42
Other Creditors	13	-
	<u>1,682</u>	<u>1,248</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15 Deferred taxation

	2019	2018
	£'000	£'000
Asset/(Liability) at beginning of the year	1	(48)
Recognition of deferred tax on IFRS 9 provision for debtors	-	3
Profit and loss account movement during the year	4	46
	<u>5</u>	<u>1</u>
Deferred tax asset at end of year	<u>5</u>	<u>1</u>

The deferred taxation asset consists of the tax effect of timing differences in respect of:

	2019	2018
	£'000	£'000
Short term timing differences	11	1
Accelerated capital allowances	(6)	-
	<u>5</u>	<u>1</u>

The deferred tax asset at 31 December 2019 has been calculated on the rate of 19% substantively enacted at the balance sheet date.

Notes (continued)

16 Financial instruments

The Company has taken an exemption from the requirement to prepare a financial instruments note on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements. The amounts owed by group undertakings have not been included within the consolidated financial statements and have been considered below.

Amounts owed by group undertakings

The fair value of amounts owed by group undertakings are estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material. Management believe there are no risks arising from these financial instruments on the grounds that the amounts are payable on demand and no interest is charged to group undertakings. The Board reviews and agrees policies for managing these risks. There have been no substantive changes in the Company's exposure to financial instrument risks or its objectives, policies and processes for managing and measuring those risks during the periods in this report unless otherwise stated.

	Fair Value Hierarchy	Carrying amount 2019 £000	Fair value 2019 £000	Carrying amount 2018 £000	Fair value 2018 £000
Amounts due from Group undertakings	Level 3	556	556	758	758
Total financial assets		556	556	758	758
Amounts owed to Group undertakings	Level 3	1,488	1,488	1,081	1,081
Total financial liabilities measured at amortised cost		1,488	1,488	1,081	1,081

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

Level 1 – inputs are quoted prices in active markets

Level 2 – a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets

Level 3 – a valuation using unobservable inputs, i.e. a valuation technique.

There were no transfers between levels throughout the periods under review.

17 Changes in accounting policies

The Company has adopted the modified retrospective approach with the right of use asset measured as if IFRS 16 had been applied since the commencement date of a lease using a discount rate based on the Group's incremental borrowing rate at the date of initial application and the lease liability at transition date as the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application, adjusted by any prepayments or lease incentives recognised immediately before the date of initial application. Under the modified retrospective transition approach, the comparative information is not restated.

The Company has elected to apply a single discount rate to assets with similar characteristics. The Company has also elected not to recognise right of use assets and lease liabilities for short-term leases or low-value assets. The Company will continue to expense the lease payments associated with these leases on a straight-line basis over the lease term.

Notes (continued)

17 Changes in accounting policies (continued)

The Company leases property which is applicable to IFRS16.

	Property £000
Balance at 1 January 2019	191
Balance at 31 December 2019	64

Impact on Financial Statements

1) Impact on transition

On transition to IFRS 16, the Group recognised additional right of use assets and lease liabilities recognising the difference in retained earnings. This impact on transition is summarised below.

	Total £000
Right of use assets presented in property, plant and equipment	191
Lease liabilities	(223)
Release of rent-free period adjustments	17
Impact on retained earnings	(15)

2) Impacts for the period

As a result of applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised £64,000 of right of use assets and £37,000 of lease liabilities as at 31 December 2019. The right of use assets of £64,000 have been included in property, plant and equipment on the balance sheet.

Also, in relation to those leases under IFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Company recognised £127,000 of depreciation charges and £3,000 of interest costs from those leases.

18 Capital commitments

The company had no capital commitments at either 31 December 2019 or 31 December 2018.

19 Contingent liabilities

There were no contingent liabilities requiring disclosure at either 31 December 2019 or 31 December 2018.

Notes (continued)

20 Called up share capital

Authorised:

	2019		2018	
	No.	£000	No.	£000
725 Ordinary shares of £1 each	725	1	725	1
	<u>725</u>	<u>1</u>	<u>725</u>	<u>1</u>

All classes of ordinary share carry equal rights over dividends, capital distribution and voting.

Allotted, called up and fully paid:

	2019		2018	
	No.	£000	No.	£000
Ordinary shares of £1 each	725	1	725	1
	<u>725</u>	<u>1</u>	<u>725</u>	<u>1</u>

21 Related parties

All of the Company's voting rights are controlled within the group headed by NAHL Group plc. The Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of NAHL Group plc, within which this Company is included, can be obtained from the address given in note 22.

22 Ultimate parent company and controlling party

The Company is a subsidiary undertaking of NAHL Group plc which is the ultimate parent and controlling party incorporated in the United Kingdom.

The smallest and largest group in which the results of the Company are consolidated is that headed by NAHL Group plc, incorporated in the United Kingdom. No other group financial statements include the results of the Company. The consolidated financial statements are available to the public from the corporate website (www.nahlgroupplc.co.uk) or from the address below:

NAHL Group plc
1430 Montagu Court
Kettering Parkway
Kettering
Northants
NN15 6XR