Countrywide Surveyors Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2022

Registration number: 01954031

Contents

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2022.

INTRODUCTION AND OVERVIEW

Countrywide Surveyors Limited (the 'Company') is a private company limited by share capital incorporated in the UK; registered number 01954031. The principal activity of the Company is residential surveying and valuation work for residential buildings, planning, development and other services. There have been no changes in the Company's activities in the year under review and no future change in activity is anticipated.

An overview of the objectives of the business and the challenges it faces is set out in the Strategic Report, as well as the key measures used to monitor the performance of the business.

Details of financial instruments and associated risks are provided in the Strategic Report.

DIRECTORS

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

Matthew Cumber
Rebecca Freeman
John Baguley

DIVIDENDS

An interim dividend payment of £20.0 million (2021: £100.0 million) was made during the financial year ended 31 December 2022. The Directors do not recommend the payment of a final dividend (2021: £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 that opportunities are available at every level to improve employees' and corporate performance. Regular meetings are held which involve directors, managers and staff.

CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable or political donations in 2022 (2021: £Nil).

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 is 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 AUDITOR

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

Directors' Report (continued)

GOING CONCERN

The Directors have undertaken a thorough assessment of the Company's financial forecasts to 30 June 2024.

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2022 the Company reported a net profit before tax of £16.3m (2021: £21.3m) and at 31 December 2022 had cash balances and intercompany loans amounting to £25.0m (2021: £35.3m), even after paying a dividend of £20.0m (2021: £100.0m) to its shareholders.

The Company has modelled downturn scenarios as detailed below, which include mitigating actions including reducing headcount, capital and other discretionary spend. 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 2022.

In forming their view on going concern, the Directors continue to perform extensive forecasting to model potential market shocks, and the related impact on business volumes. The Directors have considered and modelled several severe but plausible scenarios, including the impact of a material downturn in the UK housing market caused by political and economic circumstances. The key assumptions used in this severe stress scenario are as follows:

- UK housing market transactions fall by 10% against forecast levels for the duration of 2023. This would have a proportionate impact on most revenue streams as volumes decline.
- Mitigating actions to reduce headcount, capital expenditure and marketing spend.
- No government support has been assumed to be available, but any support available would likely be utilised and improve the liquidity position further.

The results from such stress testing indicate that the Company would be able to withstand the financial impact. The Company's financial strength means that it is well positioned to withstand such a downturn.

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.

DIRECTORS' LIABILITIES

The Company has made qualifying third-party indemnity provisions (as defined in the Companies Act 2006) for the benefit of its Directors during the year. These provisions were in force during the financial year and remain in force at the date of approval of this report.

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.

Approved by the Board of Directors and signed on its behalf by:

M. Cumber

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Matthew Cumber
Director
25 April 2023

Greenwood House
1st Floor
91-99 New London Road
Chelmsford
Essex
CM2 0PP

Strategic Report

The Directors present their strategic report for the year ended 31 December 2022.

BUSINESS REVIEW

The results for the Company as set out on page 14 show a pre-tax profit of £16.3 million (2021: £21.3 million) which includes dividend income of £1.15 million (2021: £Nil) from a subsidiary.

2022 started very positively and the housing market remained very buoyant throughout the first part of the year with demand high across all areas of surveys and valuations. The September mini-budget caused huge uncertainty in financial markets resulting in many clients withdrawing from lending or increasing borrowing rates overnight resulting in a hiatus in the housing market. This saw a dramatic reduction in valuations and surveys for the remainder of the year impacting the overall business performance.

Working with key clients, the Company continues to look at the ways to both improve the customer journey and reduce turnaround times by using data and technology and this will be a key focus into 2023.

The Company secured extension of contracts with larger allocations from major UK lenders and renewed several more contracts with specialised lenders. We continued to increase the number of surveys undertaken with private individuals throughout 2022 and actively increased consumer awareness of the benefits of having a survey upon purchase of a property. However the impact of the mini-budget in September resulted in a reduced revenue for the year that was 9% lower than prior year.

The average number of surveyors employed totalled 435 in 2022 (2021: 423) and we continue to invest in our academy programme and the future of the industry with over 60 trainee surveyors qualifying in 2022.

We continue to work with our lender clients and others on their strategies around sustainability and energy efficiency leading the industry with innovative products to support them within the changing framework of UK residential housing.

The Company entered 2023 in a good position and will benefit from an expected improving demand in the residential housing market as the year progresses whilst continuing to innovate with new products.

Operational performance and key performance indicators

	2022	2021	% Change
Revenue	**£74.7m**	£81.9m	-9%
Profit before taxation	**£16.3m**	£21.3m	-23%
Number of surveys and valuations	**410,000**	446,000	-8%
Average fee	**£185**	£175	+6%
Surveyors	**435**	423	+3%

Strategic Report (continued)

SECTION 172 STATEMENT - THE BOARD'S APPROACH

Policies and Practices

The Company's objectives are to maximise the long-term value and revenue for its shareholders, to create secure and rewarding employment for its people and to deliver a high quality service to participants in the UK residential property market. The Board considers its shareholders, customers and colleagues to be the Company's key stakeholders.

Corporate Governance

The Board is responsible for determining the Company's strategy for managing risk and overseeing its systems of internal control. The ongoing effectiveness of these internal controls are reviewed by the Board on a regular basis. The Company maintains appropriate standards of corporate governance in order to conduct its business in a prudent and well organised manner. The Board's approach is based on the principles and provisions of the UK Corporate Governance Code (the 'Code') published by the Financial Reporting Council. The Board's philosophy is to comply with the Code where it applies to the Company, and this is reviewed annually by the Board.

Employee matters

The Company seeks to attract great people and make sure they are highly engaged in an environment where they can perform to high expectations and have the opportunity for a long, rewarding and fulfilling career.

To help achieve this, the Company seeks direct feedback from its workforce on areas such as leadership, reward, trust, respect, well-being and communication. The Company carried out an employee engagement survey in 2022 where all employees were invited to participate. The results of such surveys enable the Board to make decisions about where to focus attention to best effect and plans are underway to review the progress periodically.

The Company has a number of policies and practices in place to help ensure that the working environment encourages trust, respect, recognition and good communication. These include, for example, structured career ladders, dignity at work, equal opportunities, and a well embedded health, safety and welfare policy. In addition, current projects include promoting a diverse and inclusive culture, and training to support mental health awareness. Remuneration structures are designed to reward high performance.

The Company's modern slavery policy supports the objectives of the Modern Slavery Act 2015, further details of which can be found on the Company's website. Company policies are reviewed and monitored on an ongoing basis to ensure they remain appropriate and fit for purpose.

The Company is committed to ensuring that there are no instances of bribery or corruption throughout the business. Company policies exist, drafted in line with government guidelines, to prohibit the offering, giving, solicitation or the acceptance of any bribe to or from any person or Company by any individual employee, agent or other person or body acting on behalf of the Company. The policies are readily available for employees to view on our internal intranet and our employees are required to receive annual refresher training to ensure they can recognise and prevent the use of bribery.

Social matters

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. Management seek to develop and maintain this ethos within the culture of the business overall.

Environmental matters

The Board recognises that, as a responsible business, there is an obligation to operate in a manner that minimises the Company's impact on the environment. We operate in a sector that has a relatively low carbon footprint and impact on the environment. However, we follow relevant environmental legislation in carrying out our business, and Company policy is to seek to minimise our contribution to environmental damage and maximise our contribution to safe recycling and reprocessing of waste materials.

The Company's Environmental Policy outlines the ways in which the Company reduces the use of paper, utilises recycling options, reduces pollution and levels of energy use. Initiatives such as the reduction in Company car CO_2 emissions, the replacement of lighting with low energy units (e.g. LED spotlights and panels) and the roll out of smart meters are examples of the Company's commitment to operating in an environmentally sustainable way.

Further details around Streamlined Energy and Carbon Reporting (SECR) are set out in the accounts of the parent company, Connells Limited.

Strategic Report (continued)

Business relationships

The Company closely monitors all its business relationships which allow it to provide its customers with excellent service across the range of services offered. It assesses, on an ongoing basis, any risk of an adverse impact on its customers, people and the environment in which the Company operates as a result of these relationships, or as a result of its policies.

Relationships with key suppliers are closely monitored to ensure services are being provided in line with the terms of documented agreements. Performance of key suppliers, along with associated risks to the Company and the environment, are regularly assessed with options for improvement considered where available. Regular reviews of adherence to key policies, such as Modern Slavery and GDPR are undertaken.

Board members are engaged when negotiating terms with key suppliers and in specific cases will attend strategic review meetings to guide the future approach with that supplier.

The Company is committed to providing its customers with a high level of service which is tailored to their individual needs and provide a range of complementary products and services to assist them throughout their property related transaction and beyond.

The Company's services are primarily delivered through surveyors, with support from centralised customer service teams who help to ensure the delivery of positive customer outcomes.

Decision making

The Board meets regularly and makes decisions which promote the success of the Company and its stakeholders. Proposals are discussed in detail, and approved and documented by the Board which ensures that key decisions are taken considering the Company's risk management framework detailed below. Examples of key decisions taken during 2022 include:

- The annual corporate plan was approved following a robust and comprehensive review process. It was decided the plan would promote the success of the Company.
- The Board approved an interim dividend thereby ensuring that available funds benefit the wider Connells group.

Risks and uncertainties

The Company's objective is to manage appropriately all the risks that arise from its activities. The Company has a formal structure for managing risks throughout the Company. 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 its risk and compliance functions provide monitoring and oversight on behalf of the Company's and the Society's Boards.
- The Audit Committee of Skipton Building Society oversees the effectiveness of the risk management framework and the control environment through Skipton Group's Internal Audit function, whose reports are also provided to the Company's Board.

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

Housing market

The UK housing market is cyclical and its strength correlates closely with the general strength of the UK economy. Changes in house prices and the volume of properties sold impact the results of the business. 2022 had an excellent first part of the year with high numbers of transactions, but the mini-budget in September saw an unprecedented change driven by increased borrowing rates overnight, the continuing cost of living increases and geo-political uncertainty that could impact market sentiment and transaction levels into 2023. However, the Board believes that the medium to long term outlook for the UK housing market remains positive, driven partially by the ongoing imbalance between the demand for properties against the available supply and the availability of affordable mortgage finance.

The Board continues to review leading indicator KPIs and other macro-economic data regularly, in order that appropriate action is taken to manage short term market uncertainties whilst ensuring that the Company is well positioned to capitalise when market conditions change for the better. The Board, through regular stress testing, also ensures that the Company maintains sufficient resources to withstand a severe downturn in the UK housing market.

Competitors

The Company operates in highly competitive markets, a number of which continue to drive change due to technological advancements. Increasing competition, from existing competitors or new entrants, could lead to a reduction in market share and/or a decline in revenue.

Our strategy is to concentrate on our key strengths of being an industry leading residential surveying business in the UK with the financial backing of a successful integrated property services provider. We look to increase our lender allocations and contracts as well as growing our survey offering through the engagement of customers at their time and method of choosing.

Strategic Report (continued)

Regulatory compliance

Failure to meet current legal or regulatory requirements could lead to financial penalties and reputational damage, including withdrawal of authorisation or licences required for the Company to do business.

The Company monitors the compliance of its business operations closely through its three lines of defence control framework and maintains an appropriate 'tone at the top', which is cascaded via our Code of Conduct, policies and management communications along with associated compliance and ethics training. Expertise is supported by centralised legal and compliance teams who monitor existing business practices and any changes closely.

The Company maintains close links and open dialogue with its regulators and continues to monitor regulatory developments along with the consequent implications for its businesses.

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's systems could also be subject to the increasing risk of a cyber-attack.

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. Regular training is provided to all colleagues to advise them of good security procedures and data protection requirements.

Professional indemnity exposure

The previous downturn in the UK housing and commercial property markets caused by the global financial crisis, along with the impact of sub-prime lending, exposed the Company to a higher level of professional indemnity insurance claims. Failure to control professional property valuation related risks adequately could result in a resurgence in costly claims.

The Company continues to serve predominantly the UK's largest prime mortgage lenders. The Company continually reviews its risk profile ensuring it avoids property valuations deemed higher risk lending and client types. Monitoring arrangements, including operational controls implemented for the review and audit of valuation reports along with the targeted use of automated valuation models, continue to aid checks in perceived higher risk cases. Further investment is also ongoing to provide the surveying workforce with technology that aids compliance. Close monitoring of legacy claim trends and related financial provisions remains ongoing. The situation has remained stable in 2022 and the volume of claims over this period has been considerably reduced when compared to pre-pandemic years.

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.

Capital

In common with other businesses in the sector, the Company is relatively highly operationally geared. Trading performance is sensitive to transaction volumes in the UK lending 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.

Loss of a major business partner or contract

The loss of a material contract, or a significant reduction in volumes or fees, could have a significant impact on revenue and profitability.

The Company has an agreed approach to corporate client relationship management with key relationship responsibilities defined at senior management level. Regular reviews are undertaken with key clients to ensure continued focus on investment, maintenance of service levels and compliance with contractual requirements. The Company has a highly experienced relationship management team with responsibility for key client liaison and developing new contract opportunities.

The Company has successfully retained a number of key existing clients in 2022 and has also attracted additional instruction volumes through consistent service delivery and innovation.

Strategic Report (continued)

People

Our ability to deliver our strategy is dependent on us attracting, developing, motivating and retaining people of the highest quality. An inability to recruit or retain talent could impact the ability to deliver our financial performance and growth targets.

We continue to invest in our people through development programmes and look to bring in new talent where needed. We continue to support our colleagues' physical, mental and financial wellbeing during this post pandemic period.

A range of employee benefits are in place that seek to incentivise and motivate performance across all levels of management.

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.

By order of the Board.

M. Cumber
....
Matthew Cumber
Director
25 April 2023

Greenwood House
1st Floor
91-99 New London Road
Chelmsford
Essex
CM2 0PP

Statement of Directors' Responsibilities in respect of the Strategic Report, the 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 applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 UK 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 annual report, 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 annual report, 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 Countrywide Surveyors Limited

Opinion

We have audited the financial statements of Countrywide Surveyors Limited for the year ended 31 December 2022 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 27, 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 FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2022 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. 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 a period to 30 June 2024.

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 contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 Countrywide Surveyors 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 10, 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 risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. 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.

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

- 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 Countrywide Surveyors 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 Company.
- 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 Company, including whether a formal fraud risk assessment is completed.
  - Enquiry of management, those charged with governance and the Company's in-house legal team around actual and potential litigation and claims.
  - Enquiry of staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations, including communications with regulators and tax authorities.

Independent Auditor's Report to the Members of Countrywide Surveyors Limited (continued)

- 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.
- Where weaknesses in internal control in respect of cash were identified we:
  - Increased the sample sizes in respect of our substantive audit testing;
  - Performed additional testing with respect to completeness of balances and cut-off testing for transactions occurring around the year end; and
  - Increased samples of risk based journals and material post-closing adjustments, agreeing them to appropriate supporting evidence.
- Where instances of non-compliance with laws and regulations were identified we assessed and challenged management's response, involving specialists, where required, to consider the appropriateness of the response and the conclusions reached.
- 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
- 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

Ruth Logan (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor,
Cambridge

Date: 28 April 2023

Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	4	74,727	81,867
Administrative expenses		(60,021)	(60,750)
Operating profit	3	14,706	21,117
Finance income	7	1,624	171
Finance costs	8	(6)	(14)
Profit before taxation		16,324	21,274
Tax charge	9	(2,747)	(4,189)
Profit for the financial year		13,577	17,085

The above results were derived from continuing operations.

There is no other comprehensive income for the year.

The notes on pages 17 to 34 form an integral part of these financial statements.

Statement of Financial Position

	Note	31 December 2022 £'000		31 December 2021 £'000	
Non-current assets					
Intangible assets	11	3,833		3,578	
Tangible assets	12	423		10	
Right-of-use assets	13	24		67	
Financial assets	15	153		153	
Deferred tax asset	9	192		509	
			4,625		4,317
Current assets					
Trade and other receivables	16	27,661		44,658	
Cash and cash equivalents	17	2,024		42	
			29,685		44,700
Total assets			**34,310**		**49,017**
Current liabilities					
Trade and other payables	18	7,275		15,324	
Current tax liabilities		169		–	
Lease liabilities	19	25		14	
Provisions	20	1,075		1,258	
			8,544		16,596
Non-current liabilities					
Lease liabilities	19	–		14	
Provisions	20	764		785	
Deferred tax liability	9	740		937	
			1,504		1,736
Total liabilities			**10,048**		**18,332**
Equity – attributable to the equity holders of the Company					
Called up share capital	21	500		500	
Other reserves	22	1,090		1,090	
Profit and loss account		22,672		29,095	
Total equity			**24,262**		**30,685**
Total equity and liabilities			**34,310**		**49,017**

The notes on pages 17 to 34 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and signed on its behalf by:

M. Cumber

Matthew Cumber
Director
25 April 2023

Company registration number: 01954031

Statement of Changes in Equity

For the year ended 31 December 2022

	Called up share capital	Other reserves	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
Balance at 1 January 2022	500	1,090	29,095	30,685
Total comprehensive income for the financial year	–	–	13,577	13,577
Dividends	–	–	(20,000)	(20,000)
Balance at 31 December 2022	**500**	**1,090**	**22,672**	**24,262**

	Called up share capital	Other reserves	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
Balance at 1 January 2021	500	1,090	112,010	113,600
Total comprehensive income for the financial year	–	–	17,085	17,085
Equity settled share-based payments (see note 24)	–	(60)	–	(60)
Charge from parent for equity settled share-based payments (see note 24)	–	60	–	60
Dividends	–	–	(100,000)	(100,000)
Balance at 31 December 2021	**500**	**1,090**	**29,095**	**30,685**

The notes on pages 17 to 34 form an integral part of these financial statements.

Notes to the Financial Statements (continued)

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets at fair value through profit or loss, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Financial reporting standard 101 – reduced disclosure exemptions

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

a) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
b) The requirements of IAS 7 Statement of Cash Flows
c) The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures
d) 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 a wholly owned member of the group
e) The requirements of IFRS 7 Financial Instruments: Disclosures
f) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15
g) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16
h) The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36
i) The requirements in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
   i. paragraph 73(e) in respect of IAS 16 Property, Plant and Equipment
   ii. paragraph 118(e) in respect of IAS 38 Intangible Assets

Exemption from preparation of consolidated financial statements

The financial statements contain information about Countrywide Surveyors Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the UK consolidated accounts of Connells Limited and the consolidated financial statements of Skipton Building Society (the Company's ultimate parent undertaking) as at 31 December 2022. Those accounts are available online at www.skipton.co.uk/about-us or on request from The Secretary, Skipton Building Society, The Bailey, Skipton, North Yorkshire, BD23 1DN.

Adoption of new and revised UK Financial Reporting Standards

The Company adopted during the year the following amendments to existing accounting standards, which did not have a material impact on these financial statements:

- *Onerous contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*
- *Reference to the Conceptual framework (Amendments to IFRS 3)*
- *Fees in the '10 per cent test' for derecognition of financial liabilities (Amendments to IFRS 9)*

Standards issued but not yet effective

A number of new and amended accounting standards and interpretations will be effective for future reporting periods, none of which has been early adopted by the Company in preparing these financial statements. These new and amended standards and interpretations, details of which are set out below, are not expected to have a material impact on the Company's financial statements:

- *IFRS 17 Insurance Contracts*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*
- *Definition of Accounting Estimates (Amendments to IAS 8)*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*
- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

a) Basis of preparation (continued)

Standards issued but not yet effective (continued)

These amendments have had no material impact on the financial statements.

- *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)*

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The company is currently assessing the impact of the amendment.

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 2024.

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2022 the Company reported a net profit before tax of £16.3m (2021: £21.3m) and at 31 December 2022 had cash balances and intercompany loans amounting to £25.0m (2021: £35.3m), even after paying a dividend of £20.0m (2021: £100.0m) to its shareholders.

The Company has modelled downturn scenarios as detailed below, which include mitigating actions including reducing headcount, capital and other discretionary spend. 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 2022.

In forming their view on going concern, the Directors continue to perform extensive forecasting to model potential market shocks, and the related impact on business volumes. The Directors have considered and modelled several severe but plausible scenarios, including the impact of a material downturn in the UK housing market caused by political and economic circumstances. The key assumptions used in this severe stress scenario are as follows:

- UK housing market transactions fall by 10% against forecast levels for the duration of 2023. This would have a proportionate impact on most revenue streams as volumes decline.
- Mitigating actions to reduce headcount, capital expenditure and marketing spend.
- No government support has been assumed to be available, but any support available would likely be utilised and improve the liquidity position further.

The results from such stress testing indicate that the Company would be able to withstand the financial impact. The Company's financial strength means that it is well positioned to withstand such a downturn.

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) Revenue recognition

A five-step approach is taken for recognising revenue from contracts with customers, namely to: identify the contract(s) with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) a performance obligation has been satisfied.

The Company generates revenue from external customers in the UK from the provision of surveying and valuation services. All relevant factors and circumstances are taken into account when determining the revenue recognition methods that appropriately depict the transfer of control of goods or services to customers for each performance obligation.

Fees earned from surveying and valuation services are recognised at a point in time when we have fully provided the service to the customer. Revenue and costs are recognised gross of sub-contracted panel fees.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

b) Revenue recognition (continued)

Management is required to make certain judgements, including: the determination of the performance obligations in the contract; whether the Company is acting as principal or agent; the estimation of any variable consideration in determining the contract price; the allocation of the price to the performance obligations inherent in the contract; and an appropriate method of recognising revenue, including judging whether the performance obligations have been satisfied over a period of time or at a point in time. For performance obligations that are satisfied over a period of time, judgements are made as to whether the output method or the input method is more appropriate to measure progress towards complete satisfaction of the performance obligation.

Activity performance in excess of invoices raised is included within 'amounts due from customers for contract work'. Where amounts have been invoiced in excess of work performed, the excess is included within 'amounts due to customers for contract work'. If the right to consideration is conditional or contingent on a specified future event or outcome, the outcome of which is outside the control of the Company, revenue is not recognised until that critical event occurs.

c) Intangible assets

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is not subject to amortisation but is tested for impairment. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations. Had the Company amortised goodwill, a period of 20 years would have been chosen as the useful life. The profit for the year would have been £129,000 lower had goodwill been subject to amortisation.

Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internal costs that are incurred during the development of significant and separately identifiable computer software for use in the business are capitalised when the software is integral to the generation of future economic benefits. Internal costs that are capitalised are limited to incremental costs specific to the project. Other development expenditures that do not meet the criteria for capitalisation are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation

Amortisation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful life of computer software is one to five years.

d) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment annually or whenever events and changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

In respect of goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at the date of each Statement of Financial Position. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

e) Tangible assets

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

e) Tangible assets (continued)

Depreciation

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Leasehold improvements — over the period of the lease
- Motor vehicles — 3 to 5 years
- Furniture and equipment — 3 to 5 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at the date of each Statement of Financial Position.

Assets under the course of construction are not subject to depreciation until the asset enters operational use and the asset is transferred to the operational asset category.

Leased assets

The Company's lease commitments relate solely to properties. 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.

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 amount of 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. The 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 for office equipment. It also applies the exemption for leases of low value assets to office equipment considered to be low value. 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 so any short-term property leases continue to be recognised in depreciation and interest.

f) Investments in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

g) Financial assets

Classification

The Company classifies its financial assets as financial assets at amortised cost and financial assets at fair value through profit or loss. The classification depends on the purpose and business model for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, but any maturities greater than twelve months after the end of the reporting period are disclosed. Financial assets at amortised cost comprise mainly cash and cash equivalents and trade and other receivables.

Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' and are categorised as fair value through profit or loss. The assets are subsequently measured at fair value with gains or losses recognised in the Statement of Comprehensive Income in the period they arise. Fair values are determined using valuation techniques where no active market exists.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

g) Financial assets (continued)

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets at amortised cost are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets

The Company applies the IFRS 9 simplified approach to measuring expected credit losses. In determining the expected credit losses for these assets, the Company has taken into account the historical default experience and the financial position of the counterparties, in estimating the likelihood of default of each of these financial assets occurring within their loss assessment time horizon.

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances with an original maturity of three months or less.

i) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

j) Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the Statement of Financial Position, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the Statement of Financial Position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the Company intends to settle the balances on a net basis.

k) Pensions

The Company contributes to stakeholder pension schemes which are open to eligible employees. The assets of the scheme are held in an independently administered fund. The amount charged against profit or loss represents the contributions payable to the scheme in respect of the year.

The Company also contributions to a defined benefit scheme which has been closed to new members since 2003. The Company's contribution to the scheme is charged to the Statement of Comprehensive Income as it is paid. The assets and liabilities of the Scheme are reported in the financial statements of Countrywide Group Limited.

l) Share-based payments

Countrywide Limited operated a number of equity settled share-based schemes under which the Countrywide group received services from employees as consideration for equity instruments (options) of the parent. The fair value of the employee services received in exchange for the grant of the options was recognised as an expense.

Where the share awards had non-market related performance criteria Countrywide Limited used the Binomial Lattice and Black Scholes option valuation models to establish the relevant fair values. Where the share awards had TSR market-related performance criteria Countrywide Limited used the Monte Carlo simulation valuation model to establish the relevant fair values.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

l) Share-based payments (continued)

The resulting values were amortised through the Statement of Comprehensive Income over the vesting period of the options and other grants.

At the end of each reporting period, the number of options that were expected to vest based on the non-market conditions were revised and the impact of the revision to original estimates, if any, was recognised in the Statement of Comprehensive Income with a corresponding adjustment to equity. The grant by the parent Company of options over its equity instruments to the employees of its subsidiary undertakings was treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, was recognised over the vesting period through the Statement of Comprehensive Income, with a corresponding credit to equity in the subsidiary's accounts only to the extent not recharged to the subsidiary.

The social security contributions payable in connection with the grant of the share options were considered an integral part of the grant itself, and the charge was treated as a cash-settled transaction.

Further details of the underlying Countrywide Limited schemes can be found in the Countrywide Limited financial statements.

m) Provisions for liabilities

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised in finance costs.

n) Deferred income

Where the Company receives an amount upfront in respect of future income streams, the value of the receipt is disclosed in liabilities as deferred income until the performance obligation has been satisfied.

o) Finance income and costs

Finance income comprises interest receivable on funds invested and dividend income. Interest income is recognised in the Statement of Comprehensive Income as it accrues using the effective interest method. Dividend income from subsidiary undertakings is recognised at the point the dividend has been declared.

Finance costs accrue using the effective interest method, except for leases where the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

p) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

q) Share capital

Ordinary shares are classified as equity.

Notes to the Financial Statements (continued)

2. Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning 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 addressed below.

Professional indemnity provisions

Provision is made for professional indemnity claims and potential claims that arise during the normal course of business in relation to surveys and valuations performed by the Company. Provision is made under the Company's professional indemnity insurance arrangements. Where a fomal letter of claim has been received a provision is made on a case-by-case basis, taking into account the strength of the Company's case, and its history of successfully defending claims. Where initial notification of claims has been received, an estimate is made of the proportion of these expected to lead to a formal claim based upon historical trends. Finally, provision is also made for the estimated level of claims incurred but not yet reported at the reporting date (IBNR), taking into account market conditions and a prudent attitude to risk.

Impairment of goodwill

Determining whether goodwill is impaired requires management to compare the value in use of the cash generating unit (CGU) to which the assets have been allocated against its carrying value. The key assumptions used in the value in use calculation are those regarding future cash flows, growth rates and discount rates used to discount the future cash flows. The future cash flows are derived from the most recent financial budgets and strategic plans which take into account risks inherent in the housing market and in the business.

3. Operating profit

Arrived at after charging:

	2022 £'000	2021 £'000
Depreciation expense	293	461
Amortisation expense	126	124
Auditor's remuneration for audit work[1]	100	92

[1] There were no non-audit fees paid to the Auditor (2021: £Nil).

4. 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. All revenues are derived by the Company in the UK.

Disaggregation of revenue from contracts with customers

	Products and services transferred at a point in time 2022 £'000	Products and services transferred at a point in time 2021 £'000
Surveying and valuation fees	68,395	77,179
Panel management fees	6,332	4,688
	74,727	81,867

Notes to the Financial Statements (continued)

5. Staff numbers and costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2022 £'000	2021 £'000
Wages and salaries	32,674	34,809
Social security costs	4,337	4,348
Other pension costs	1,481	1,498
Share-based payment expenses	–	60
	38,492	40,715

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

	2022 No.	2021 No.
Directors	3	3
Surveyors	435	423
Administrative	256	232
	694	658

6. Directors' remuneration

The directors' emoluments were:	2022 £'000	2021 £'000
Aggregate remuneration in respect of qualifying services	443	790
Long term incentive	24	50
Company contribution to stakeholder pension scheme	26	35
Compensation for loss of office	–	51
	493	926

Three directors were remunerated by the Company throughout 2022 (2021: five).

Post-employment benefits are accruing for three (2021: four) directors under a stakeholder pension scheme. No share options were exercised during the year (2021: three directors exercised share options during the year).

The share of the highest paid director's emoluments charged to this company were as follows:

	2022 £'000	2021 £'000
Aggregate emoluments	217	253
Company contribution to stakeholder pension scheme	9	8
	226	261

No share options were exercised during the year (2021: the highest paid director exercised share options during the year).

Notes to the Financial Statements (continued)

7. Finance Income

	2022 £'000	2021 £'000
Dividend income from subsidiary company	1,150	–
Intra-group interest receivable	472	166
Other finance income	2	5
	1,624	171

8. Finance costs

	2022 £'000	2021 £'000
Interest on lease liabilities	6	14

9. Taxation

Tax expense included in the Statement of Comprehensive Income:

	2022 £'000	2021 £'000
UK corporation tax on profit for the year	2,612	4,028
Adjustments in respect of prior years	15	104
Total current tax charge	2,627	4,132
Deferred tax on profit for the year:		
Origination and reversal of temporary differences	228	139
Adjustments in respect of prior years	(147)	–
Effect of changes in tax rates	39	(82)
Total deferred tax charge	120	57
Income tax charge	2,747	4,189

The tax assessed in the Statement of Comprehensive Income is lower (2021: higher) than the standard UK corporation tax rate because of the following factors:

	2022 £'000	2021 £'000
Profit before taxation	16,324	21,274
Profit before taxation multiplied by the rate of corporation tax in the UK of 19% (2021: 19%)	3,102	4,042
Effects of:		
Other expenses not deductible	27	26
Income not taxable	(233)	–
Super-deduction relief	(56)	–
Impact of accelerated unwind of deferred tax assets	39	(82)
Tax relief on share-based payments charged to equity	–	99
Adjustments in respect of prior years	(132)	104
Total taxation charge	2,747	4,189

Notes to the Financial Statements (continued)

9. Taxation (continued)

Deferred tax

	2022 £'000	2021 £'000
Net deferred tax liability at 1 January	(428)	(371)
Charged to income statement	(120)	(57)
Net deferred tax liability at 31 December	(548)	(428)
Deferred tax asset	192	509
Deferred tax liability	(740)	(937)
Net deferred tax liability at 31 December	(548)	(428)
Deferred tax asset expected to unwind within one year	57	126
Deferred tax asset expected to unwind after one year	135	383
	192	509
Deferred tax liability expected to unwind within one year	–	(7)
Deferred tax liability expected to unwind after one year	(740)	(930)
	(740)	(937)

The deferred tax assets are considered to be recoverable in full. Where deferred tax balances are expected to reverse before 1 April 2023, they have been calculated at the currently enacted corporation tax rate of 19%. The corporation tax rate increase from 19% to 25% with effect from 1 April 2023 was substantively enacted on 24 May 2021 and deferred tax balances that are expected to reverse after this date have been calculated at 25%.

	2022	
	Asset / (liability) £'000	(Charged) / credited to income £'000
Origination and reversal of temporary differences		
Capital allowances	264	(170)
Gain deferred by roll-over relief	(740)	147
Intangible assets	(129)	(79)
Other temporary and deductible differences	57	(18)
	(548)	(120)

	2021	
	Asset / (liability) £'000	Credited / (charged) to income £'000
Origination and reversal of temporary differences		
Capital allowances	434	43
Share-based payments	–	(115)
Gain deferred by roll-over relief	(887)	–
Intangible assets	(50)	(21)
Other temporary and deductible differences	75	36
	(428)	(57)

Notes to the Financial Statements (continued)

9. Taxation (continued)

Deferred tax assets have not been recognised in respect of unused capital losses of £255,000 (2021: £255,000). There is no expiry date attributable to this unrecognised deferred tax asset, but no asset has been recognised as there is currently no expectation of offsetting income streams arising.

10. Dividends

	2022 £'000	2021 £'000
Interim dividend of £40 (2021: £200) per ordinary share paid during the year	20,000	100,000

An interim dividend payment of £20.0 million (2021: £100.0 million) was made during the financial year ended 31 December 2022. The Directors do not recommend the payment of a final dividend (2021: £Nil).

11. Intangible assets

	Goodwill £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2022	7,856	3,018	10,874
Additions	–	381	381
Disposals	–	(911)	(911)
At 31 December 2022	7,856	2,488	10,344
Accumulated amortisation			
At 1 January 2022	4,443	2,853	7,296
Charge for the year	–	126	126
Disposals	–	(911)	(911)
At 31 December 2022	4,443	2,068	6,511
Net book amount			
At 31 December 2022	3,413	420	3,833
At 31 December 2021	3,413	165	3,578

All amortisation and impairment charges are treated as an administration expense in the Statement of Comprehensive Income.

Cash generating units (CGUs) represent the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other groups of assets. The Countrywide Surveyors Limited business is deemed to be a CGU.

The Directors undertook an impairment review of goodwill for the Company at the end of 2022 in accordance with IAS 36 'Impairment of assets' by comparing the carrying value of the CGU against its recoverable amount. The recoverable amount of the CGU was based on its value in use which was calculated by discounting cash flow projections derived from the formally approved Corporate Plan for the next five years, followed by a long term growth rate of 2.5% (2021: 2.5%). Cash flows were discounted using pre-tax discount rate of 16.78% reflecting the weighted average cost of capital for the CGU.

The 2022 goodwill impairment review concluded that the recoverable amount of the CGU exceeded its carrying amount, resulting in no indication of impairment.

Notes to the Financial Statements (continued)

12. Tangible assets

	Leasehold improvements £'000	Furniture and equipment £'000	Total £'000
Cost			
At 1 January 2022	23	849	872
Additions	–	524	524
Disposals	–	(631)	(631)
At 31 December 2022	23	742	765
Accumulated depreciation			
At 1 January 2022	23	839	862
Charge for the year	–	109	109
Disposals	–	(629)	(629)
At 31 December 2022	23	319	342
Net book amount			
At 31 December 2022	–	423	423
At 31 December 2021	–	10	10

13. Right-of-use assets

	Property assets £'000	Vehicle assets £'000	IT assets £'000	Total £'000
Cost				
At 1 January 2022	71	472	508	1,051
Additions	141	–	–	141
Disposals	(142)	(472)	(508)	(1,122)
At 31 December 2022	70	–	–	70
Accumulated depreciation				
At 1 January 2022	46	435	503	984
Charge for the year	142	37	5	184
Disposals	(142)	(472)	(508)	(1,122)
At 31 December 2022	46	–	–	46
Net book amount				
At 31 December 2022	24	–	–	24
At 31 December 2021	25	37	5	67

Notes to the Financial Statements (continued)

14. Investments

Shares in subsidiary undertakings

	2022 £'000	2021 £'000
At 1 January and 31 December	-	-

Details of the Company's subsidiary undertakings are as follows:

Subsidiary	Registered address (refer to note)	Country of Incorporation	% owned	Direct / Indirect	Active / dormant
Harvey Donaldson & Gibson Limited	1	UK	100%	Direct	Dormant
Kean Kennedy Limited	1	UK	100%	Direct	Dormant
Securemove Property Services Limited	2	UK	100%	Direct	Dormant
United Surveyors Limited	2	UK	100%	Direct	Active

Registered offices:

1. Suite 3.7, 3rd floor, Standard Buildings, 94 Hope Street, Glasgow G2 6PH
2. 3rd floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT

The Company received £1.15 million (2021: £Nil) in dividends from subsidiary undertakings during the year (see note 7).

The Company owns the whole of the issued and fully paid share capital of its subsidiary undertakings, all of which are incorporated in the United Kingdom.

The Company does not prepare consolidated financial statements. The ultimate parent undertaking as at 31 December 2022 was Skipton Building Society which prepares consolidated financial statements.

15. Financial Assets

	2022 £'000	2021 £'000
Unlisted equity	153	153

Financial assets at fair value through profit and loss, which are all Sterling denominated, comprise shares held in Vibrant Energy Matters Limited, a private limited company.

On 30 March 2023, the Company sold the shares held in Vibrant Energy Matters Limited to Connells Limited.

Notes to the Financial Statements (continued)

16. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	3,741	8,091
Amounts owed by group undertakings	22,992	35,286
Prepayments	924	1,266
Other receivables	4	15
	27,661	44,658

Financial assets are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method. Trade and other receivables are all current and any fair value difference is not material. Trade receivables are considered overdue once they have passed their contracted due date. Trade receivables are reviewed for impairment by taking into account the historical default experience and the financial position of the counterparties to estimate the likelihood of default. Trade receivables are written off when there is no reasonable expectation of recovery. Trade receivables are stated net of provisions for expected credit losses of £33,000 (2021: £19,000).

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Balances due from Countrywide Group Limited are subject to interest at SONIA (2021: LIBOR), whilst other balances are interest free. The amount is stated net of expected credit losses of £Nil (2021: £71,000) which reflects the estimated discounting in respect of the likely timing of future receipts against balances that are technically repayable on demand.

There are no charges over the Company's assets in respect of any of the Company's liabilities.

17. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	2,024	42

18. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	272	863
Amounts owed to group undertakings	2,488	7,549
Accruals and other payables	2,625	3,433
Social security and other taxes	1,890	3,479
	7,275	15,324

All trade and other payables are due within one year.

Financial liabilities are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method.

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The fair value of financial liabilities approximates their carrying value due to short maturities. There are no securities held over any of the Company's assets in respect of the Company's liabilities.

Notes to the Financial Statements (continued)

19. Lease liabilities

	2022 £'000	2021 £'000
At 1 January	28	284
Lease modifications	137	99
Disposals	37	–
Payments	(183)	(369)
Interest charged	6	14
At 31 December	25	28

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

	2022 £'000	2021 £'000
On demand	–	–
In not more than three months	25	–
In more than three months but less than one year	–	14
In more than one year but less than five years	–	14
At 31 December	25	28

The discount rate for the leases disclosed above is 2.15%. The Company has several lease contracts that include termination options, usually through as break clause. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and adapt to the Company's business needs. Management exercises judgement in determining whether these termination options are reasonably certain to be exercised.

20. Provisions

	2022		
	Property repairs £'000	Claims and litigation £'000	Total £'000
At 1 January 2022	169	1,874	2,043
Provisions used during the year	–	(430)	(430)
Provisions made during the year	–	395	395
Released during the year	(169)	–	(169)
At 31 December 2022	–	1,839	1,839
Due within one year	–	1,075	1,075
Due after more than one year	–	764	764
	–	1,839	1,839

Notes to the Financial Statements (continued)

20. Provisions (continued)

	Property repairs £'000	2021 Claims and litigation £'000	Total £'000
At 1 January 2021	84	2,649	2,733
Provisions used during the year	–	(468)	(468)
Provisions made during the year	85	–	85
Released during the year	–	(307)	(307)
At 31 December 2021	**169**	**1,874**	**2,043**
Due within one year	169	1,089	1,258
Due after more than one year	–	785	785
	169	**1,874**	**2,043**

Property repairs

The provision for property repairs represents estimates of the cost to repair existing dilapidations under leasehold covenants in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'. The property provision is accrued on the basis of amounts identified at the date of property acquisition, less any subsequent expenditure, or where a section 412 notice or schedule of dilapidations has been received from the landlord. Provision is made for properties with non-cancellable leases where the Company no longer occupies the property. The provision represents the rent to the of the lease, less any projected rental income from subletting the properties.

Claims and litigation

Provision is made for professional indemnity claims and potential claims that arise during the normal course of business in relation to surveys and valuations performed by the Company. Provisions are made for valuation and defect claims and comprise amounts set aside to meet claims by customers below the level of any professional indemnity insurance excess. The provisions represent the Directors' best estimate of the Company's liability having taken professional advice. The provisions for valuation and defect claims are estimated on a future projection of historical data taking into account the historic claim rate, the claim liability rate and the average loss per claim.

21. Called up share capital

Allotted, called up, authorised and fully paid shares

	2022 £'000	2021 £'000
500,000 (2021: 500,000) ordinary shares of £1 each	**500**	**500**

Notes to the Financial Statements (continued)

22. Other reserves

	Merger reserve £'000	IFRS 2 reserve £'000	Total £'000
At 1 January and 31 December 2022	1,090	–	1,090
At 1 January 2021	1,090	–	1,090
Equity settled shared-based payments	–	(60)	(60)
Charge from parent for equity settled share-based payments	–	60	60
At 31 December 2021	1,090	–	1,090

Merger reserve

The merger reserve represents the movement in net assets of subsidiaries between acquisition and hive-up into the Company. This reserve is non-distributable.

IFRS 2 reserve

The IFRS 2 reserve represents the equity settled share-based payments.

23. Post-employment benefits

Stakeholder pension scheme

The Company offers membership of a stakeholder pension scheme to all employees. The pension cost charged for the year represents contributions payable by the Company to the scheme and amounted to £1,221,000 (2021: £1,239,000).

Defined benefit pension scheme

Countrywide Surveyors Limited participates in the Countrywide plc defined benefit plan. There is no contractual agreement or stated policy for charging the net defined benefit cost between group entities and therefore contributions to the defined benefit plan are recognised in the Statement of Comprehensive Income in the year to which they relate. The Company's contributions are determined based upon a fixed percentage of the salary of the Company's employees enrolled in the plan, and the Company has no exposure to other funding requirements or liability for other Group companies' obligations, including upon wind-up or withdrawal of the plan.

The amount recognised in the Statement of Comprehensive Income as an expense in relation to contributions to this scheme amounted to £260,000 (2021: £260,000). The amount expected to be contributed in 2023 is £169,000.

Detailed disclosures in respect of Countrywide plc Pension Scheme as a whole are disclosed in note 20 to the financial statements of Countrywide Group Limited for the year ended 31 December 2022.

24. Share-based payments

The Company's employees participated in a number of share-based payment schemes for executive Directors and other employees operated by Countrywide Limited. Countrywide Limited had no legal or constructive obligation to repurchase or settle any of the options in cash. All charges in relation to these schemes were fully recharged to the subsidiary companies that employ the designated individuals. The total cost recognised in the Statement of Comprehensive Income was £Nil in the year ended 31 December 2022 (2021: £60,000). Employer's NI was accrued, where applicable, at the rate of 13.8% which management expected to be the prevailing rate at the time the options were exercised, based on the share price at the reporting date. The total NI charge for the year was £Nil (2021: £Nil).

Following the acquisition of Countrywide Limited by Connells Limited, all share-based payment schemes vested, subject to relevant performance criteria, and ceased to operate post 8 March 2021.

Notes to the Financial Statements (continued)

24. Share-based payments (continued)

The table below analyses the total cost to the Company between each of the relevant schemes, together with the number of options outstanding:

	2022		2021	
	Charge £'000	Number of options (thousands)	Charge £'000	Number of options (thousands)
Long-term incentive plan	-	-	17	-
Save As You Earn plan	-	-	41	-
Share incentive plan (shares)	-	-	2	-
	-	-	60	-

25. Related party transactions

The Company has taken advantage of the exemptions conferred by FRS 101 from the requirements to make disclosures concerning transactions with other wholly owned members of the Connells Group and Skipton Group, as the company is a wholly owned subsidiary and consolidated accounts are publicly available for both the immediate parent and ultimate parent undertaking.

During the year the Company purchased £175,000 (2021: £275,000) of services from Vibrant Energy Matters Limited, a fellow group undertaking which is not a wholly owned member of the group headed by Connells Limited. At the year end, £Nil (2021: £18,000) was outstanding and included within trade and other payables. The payable is unsecured and no guarantees have been given.

26. Events after the balance sheet date

On 30 March 2023, the Company sold the shares held in Vibrant Energy Matters Limited to Connells Limited.

27. Parent and ultimate holding company

The Company is a wholly owned subsidiary of Countrywide Group Holdings 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 that company are available to the public and can be obtained from:

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