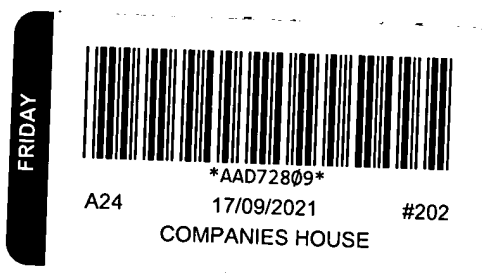


THE NEW HOMES GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2020

(Registered Number 2509770)



Contents

Directors' Report	3
Strategic Report	5
Statement of Directors' Responsibilities	10
Independent Auditor's Report to the Members of The New Homes Group Limited	11
Statement of Comprehensive income	14
Statement of Financial Position	15
Statement of Changes in Equity	16
Statement of Cash Flows	17
Notes	18

Directors' Report

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

INTRODUCTION AND OVERVIEW

The New Homes Group Limited is a private limited company registered in England and Wales, registered number: 2509770.

The principal activities of the Company during the year were the provision of mortgage services, new homes marketing and acting as an intermediary for selling homes.

DIVIDENDS

During the year an interim dividend of £3,500,000 was paid (2019: £7,000,000). The dividend per share totalled £1,591 (2019: £3,181). The Directors do not propose the payment of a final dividend (2019: £nil).

DIRECTORS

The Directors who served during the year were:

RS Shipperley
DC Livesey
NJ Spaul
JM Platt
RJ Twigg

EMPLOYEES

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

DONATIONS

The Company made charitable donations of £52,881 in 2020 (2019: £106,114). The Company made no political donations in 2020 (2019: £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 operates 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 he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

GOING CONCERN

The Directors have undertaken a thorough assessment of the Company's financial forecasts to 30 June 2022, including the continuing impact of Covid-19 on its operations within the UK. The impact of the Covid-19 pandemic began on 23 March 2020, when the UK housing market was effectively closed for two months. However the Company managed to operate effectively during this period and throughout the rest of the year, despite continuing restrictions and further lockdowns. The Company's ability to react quickly to changing market and operational conditions enabled it to report a strong profit for the year, and maintain its cash resources.

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

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2020 the Company reported a net profit after tax of £4.7m (2019: £8.5m) and at 31 December 2020 had cash balances amounting to £2.4m (2019: £2.4m), even after paying a dividend of £3.5m (2019: £7.0m) to its shareholders. At the date of signing these accounts, the Company still has a similar cash balance and has no external debt.

Directors' Report (Continued)

GOING CONCERN (continued)

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

- A two month lockdown forces the UK housing market to close, reducing transactions to the level seen in April and May 2020 before slowly recovering.
- Mitigating actions to reduce headcount, capital expenditure and marketing spend.
- Government support has been assumed to be available during the lockdown months only.

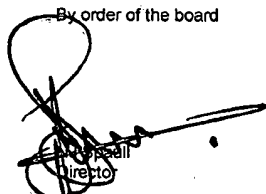
The Company's financial strength means that it is well positioned to withstand any downturn. As at 31 December 2020 the Company has no long term debt (other than IFRS 16 liabilities) and therefore no covenant tests that it must meet.

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

AUDITOR

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

By order of the board



A handwritten signature in black ink, appearing to be 'M. Russell', is written over the printed name 'M. Russell' and the title 'Director'.

30th March 2021

Cumbria House
16 – 20 Hockliffe Street
Leighton Buzzard
Bedfordshire
LU7 1GN

Strategic Report

BUSINESS REVIEW

2020 Review

The results for the company as set out on page 13 show a pre-tax profit of £5.8m (2019: £8.5m).

2020 was an unprecedented year, dominated by the Covid-19 pandemic. In this context, the Company has delivered a robust performance, with a healthy profit. The year started strongly, as the decisive general election result in December 2019 provided some political stability following the uncertainty that had impacted market confidence in recent years. However everything changed with the onset of the Covid-19 pandemic and the first UK lockdown, announced on 23 March 2020, effectively closing the UK housing market for two months. The Company closed its offices, in line with Government instructions, and was unable to perform many other services during that time. Consequently, management made use of the Government's Coronavirus Job Retention Scheme (CJRS) and placed 62% of its colleagues on furlough during this period. Nevertheless, the Company continued to work during the shutdown to ensure that that customers who needed a mortgage or remortgage were able to meet their needs.

The Company's priority throughout the Covid-19 pandemic has been the health, safety and well-being of its colleagues and customers. Management communicated regularly with those employees on furlough, and is proud to have protected their incomes by continuing to pay 100% of basic pay and any commissions due to those not required to work from March to June; above the minimum of 80% up to £2,500 per month set by the Government. The Company invested in personal protective equipment (PPE), devised comprehensive working practices and rolled out training to allow for a safe and secure environment for its colleagues and customers. The Company's IT systems enabled those who could work from home to do so.

Following the re-opening of the UK housing market in May, activity levels improved considerably, helped by the stamp duty holiday announced by the government from 15 July 2020 to 30 June 2021.

The result of the Covid-19 pandemic was that the Company's total income reduced to £37.5m in 2020, a fall of 16% on the prior year. Management reacted to this fall in income by reducing capital expenditure and minimising all other areas of discretionary spend in order to protect its cash position. As noted above, the Company benefitted from elements of government support, including the CJRS totaling £1.5m; further details are included in note 18. Consequently, net total expenditure fell by £4.5m (12%) in the year to £31.7m.

The Company ended 2020 with an excellent sales pipeline in Mortgage services £1.8m ahead of the prior year, which bodes well for a strong start to 2021 as customers seek to conclude transactions before the stamp duty holiday ends on 30 June 2021. However our Part Exchange business experienced a more challenging year, retirement housebuilders suffered the most with their demographic being the most vulnerable so many stayed at home unable to move house, conversely following the first lockdown the mainstream housebuilders could not keep pace with the high demand from buyers and their reliance on part-exchange diminished as the second-hand market was so strong there was less need for our services. 2021 is likely to be a challenging year, due to continuing Covid-19 lockdowns which could lead to higher unemployment and recession. Nevertheless, with strong profitability and good liquidity the Company remains well poised to take advantage of whatever market conditions present.

Operational performance and key performance indicators

Regular board meetings are held at which the results are discussed in detail. The table below shows the most significant financial KPIs that are monitored for the business.

	2020 £000	2019 £000	Change %
Revenue	37,544	44,659	-15.9%
Earnings before interest, tax, depreciation and amortisation, impairment and contingent consideration (EBITDA)	6,636	9,174	-27.7%
Profit before tax	5,838	8,502	-31.3%
Total Value of Loans arranged	£3.07 billion	£3.20 billion	-4.0%
Movement in:			
Mortgages signed	-5.4%	+14.2%	
Property exchanges	-24.7%	+20.5%	

Strategic Report (continued)

Section 172 statement - The Board's approach

Policies and Practices

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

The Company aims to deliver strong profits via an optimisation of sales opportunities throughout its advisor network and centralised sales functions. The Company has a lean management cost structure, giving the ability to adapt to market changes and resultant opportunities. The New Homes Group recognises that the housing market can vary widely from one location to another, and it actively encourages and supports its managers in running successful and profitable teams. This "grass roots" awareness has been at the core of the business' success and is a key component to its future strategy.

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 is reviewed by the Board's Audit & Risk Committee 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 New Homes Group 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.

In order to help achieve this, the Company seeks direct feedback from its workforce on areas such as leadership, reward, trust, respect, well-being and communication. During 2020, despite colleagues being placed on furlough, the Group maintained regular communications with all its people and agreed, from March to June, to pay everyone 100% of their basic salary plus commissions earned; well above the Government's minimum requirement under the CJRS scheme.

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 pathways, 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. Throughout the Covid-19 pandemic, the Group has sought to operate with the safety of its colleagues and customers being its priority. It has invested in PPE, provided extensive training to all its colleagues and implemented a number of Covid-secure standards across the business.

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 best practice, 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 the internal intranet and 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 always have our customers' best interests at heart. Management seek to develop and maintain this ethos within the culture of the business overall.

The Company has supported Funding Neuro – whose aim is to accelerate the development of new treatments for many of the most serious neurological conditions - for over five years through a number of individual, company-wide and head office function fundraising efforts. These range from dress down days, raffles and bake sales, to employees taking part in national events such as the Yorkshire Three peaks challenge.

The Company has also supported EACH – East Anglian Children's Hospices to fund a brand new family room at The Nook: a comfortable, well-equipped, homely space which will allow families to stay with their children at the hospice whenever they need to. Whether families feel anxious about leaving their child alone for the first time during a short break, or need privacy to say good-bye and grieve, the family room at the nook will act as a safe and supportive environment

The Company also participates in supporting national charitable events such as Comic Relief, Children in Need, Jeans for Genes, Wear it Pink and Macmillan Coffee Morning along with a number of local charities.

Strategic Report (continued)

Section 172 statement - The Board's approach (continued)

Environmental matters

The Board recognises that, as a responsible business, it has an obligation to operate in a manner that minimises the Company's impact on the environment. The Company operates in a sector that has a relatively low carbon footprint, however it follows relevant environmental legislation in carrying out its business; and Company policy is to seek to minimise its contribution to environmental damage and maximise its 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 progressive reduction in company car CO2 emissions, the replacement of lighting with low energy units (e.g. LED spot lights and panels) and the roll out of smart electricity and gas meters are examples of the Company's commitment to operating in an environmentally sustainable way.

For further details around Streamlined Energy and Carbon Reporting (SECR), refer to the parent company accounts as detailed in note 21.

Business relationships

The Company closely monitors all of its business relationships in order to allow it to provide its customers with excellent service across the range of services offered. It assesses, on an ongoing basis, the risks of 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 and Senior Managers are engaged when negotiating terms with key suppliers and will often attend strategic review meetings to guide the future approach with that supplier.

The Company's services are primarily delivered through its face to face advisor network, with support from centralised customer service teams who help ensure the delivery of positive customer outcomes. Customer interactions are underpinned by a range of proactive communications and online tools which support and inform customers by providing them with timely updates, useful guides and visibility of their transaction at each stage of the home buying and selling journey.

The Company actively engages with its customers at key points during their transactions, through review platforms and customer care teams, to measure and maintain the quality of its service delivery. The Company continues to support industry initiatives that seek to improve and speed up the home buying process for the benefit of customers and other key stakeholder groups.

Decision making

The Board meets monthly and makes decisions which promote the success of the Company and its stakeholders. Proposals are discussed in detail and approved by the Board which ensures key decisions comply with the risk management framework detailed below.

- 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.
- Approved interim dividends – Meeting shareholder dividend expectations is a top priority to ensure the funds are able to benefit the wider Connells Group. The corporate plan indicates the dividend level to be sustainable and still allow the Company to invest in growth.
- The decision was made to pay all employees, from March to June, 100% of basic pay and any commissions due to those not required to work during the lockdown period; above the minimum of 80% up to £2,500 per month set by the Government.

Risks and uncertainties

The Company's objective is to appropriately manage 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 risk appetite 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 ultimate and immediate parent undertakings, Skipton Building Society and Connells Limited, through their risk and compliance functions provide monitoring and oversight on behalf of the Society's Board.
- The Board 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.

Strategic Report (continued)

Section 172 statement - The Board's approach (continued)

Covid-19 pandemic

The business has been impacted significantly since March 2020 by the Covid-19 pandemic, which resulted in the closure of most premises and therefore activity levels declined significantly during that period. While the Company has been able to re-open and the property market has re-started, there remains significant uncertainty over how long restrictive measures will remain in place, how this will impact customer sentiment and the wider economic impact.

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

Competitors

The Company operates in a number of markets where traditional operating models are being challenged. Failure to adapt and respond could lead to a fall in market share and, consequently, revenue.

The Company continues to monitor changing trends in the markets in which it operates and will continue to invest in both its systems and people so that it can address any relevant changes to customers' behaviour and expectations.

Regulatory Compliance

Failure to comply with current or future regulatory requirements could result in regulatory censure, fines or enforcement action which would impact on the Company's ability to carry out certain activities.

The business continually develops its focus on conduct risk, customer outcomes, and compliance within the regulated part of its business to reflect industry best practice. The Company provides extensive training to and supervision of its operational teams, supported by centralised compliance and risk teams which closely monitor existing business activities and assess proposed new developments. A robust complaints handling process exists, with root cause analysis being fed back into operational activities.

IT Infrastructure and information security

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

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

Loss of a major client

Several of the Company's brands hold a number of important client relationships, the loss of which would adversely affect their income and performance.

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

Financial misstatement and fraud

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

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

Capital

In common with other mortgage service providers, the Company is reasonably highly operationally geared. Performance is affected by the state of the residential housing market. In the short term, many costs are fixed, so when income falls this has a direct and adverse impact on profits and cash flows. Therefore the Company's policy is to retain sufficient cash to ensure that any future deterioration in trading can be funded without recourse to external borrowing.

Strategic Report (continued)

Section 172 statement - The Board's approach (continued)

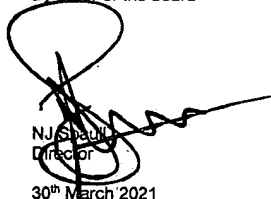
Customers

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.

People

The Company is a people business and as such is reliant on the ability, training, skills and motivation of its staff. A key risk to the business is the possibility of losing staff, particularly senior managers and directors. In order to combat this, the Board ensure that service agreements, remuneration packages, and human resources policies are designed to attract and retain key employees.

By order of the board



N.J. Shackleton
Director

30th March 2021

Cumbria House
16 – 20 Hockliffe Street
Leighton Buzzard
Beds
LU7 1GN

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors confirm, to the best of their knowledge:

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of The New Homes Group Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, Statement of changes in Equity, Statement of Cash Flows and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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 the period to 30 June 2022, 15 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the companies' 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 there is 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 *(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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are; The Estates Agents Act 2019, The Consumer Rights Act 2015, The Consumers, Estate Agents and Redress Act 2007, International Accounting Standards, Companies Act 2006, Data Protection Act 1998, Health and Safety at Work Act 1974, HMRC regulations, The Coronavirus Act 2020 Functions of Her Majesty's Revenue and Customs (Coronavirus Job Retention Scheme), UK Bribery Act, Equality Act and Anti-Money Laundering Regulations.

- We understood how The New Homes Group Limited is complying with those frameworks by making enquiries of those charged with governance and management. We understood the potential incentive and ability to override the controls. We considered management's attitude and tone from the top to embed a culture of honesty and ethical behaviour whereby a strong emphasis is placed on fraud prevention which may reduce opportunities for fraud to take place. We further understood the adoption of accounting standards and considered the compliance with the above laws.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by obtaining and reading internal policies, holding enquiries of management and those charged with governance and the in-house legal counsel as to any fraud risk framework within the entity.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
 - Enquiry of management and those charged with governance as to any fraud risk framework within the entity, including whether a formal fraud risk assessment is completed.
 - Enquiry of management, those charged with governance and the entity's in-house legal team around actual and potential litigation and claims.
 - Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations, including communications with regulators and tax authorities.
 - Reading minutes of meetings of those charged with governance.
 - Reading internal audit reports.
 - Enquiry of management over reports to whistleblowing hotlines.
 - Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
 - Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.
 - Data analytics to highlight potentially anomalous transactions in areas of the business which are determined to have an elevated fraud risk.
 - Evaluating the business rationale of significant transactions outside the normal course of business, and;

INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

Use of our report

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

Ernst & Young LLP

Joanne Mason (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton
Date

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Year ended 2020 £000	Year ended 2019 £000
Revenue	3	37,544	44,659
Employee benefit expenses	6	(21,167)	(21,844)
Operating expenses	2	(10,576)	(14,392)
Operating profit		5,801	8,423
Presented as:			
Earnings before interest, tax, depreciation, amortisation, impairment and contingent consideration		6,636	9,174
Depreciation of tangible assets		(49)	(34)
Depreciation of right-of-use assets		(623)	(661)
Amortisation and impairment of intangibles		(163)	(56)
Operating profit		5,801	8,423
Finance income	4	57	98
Finance costs	5	(20)	(19)
Net financing costs		37	79
Profit before tax		5,838	8,502
Taxation	7	(1,102)	(1,655)
Profit for the year being total comprehensive income		4,736	6,847

In both the current and preceding period the Company had no discontinued operations. In the current and preceding year, the Company made no material acquisitions.

The notes on pages 18 to 32 form part of these financial statements.

There were no recognised income and expense items in the current period or prior period other than those reflected in the above Income Statement.

Statement of Financial Position

AT 31 DECEMBER 2020

	Notes	£000	31 December 2020 £000	£000	31 December 2019 £000
Non-current assets					
Investments	11	-	-	-	-
Property, plant and equipment	8	161		89	
Intangible assets	9	922		689	
Right-of-use-assets	10	964		1,096	
Deferred tax asset	12	178		295	
Total non-current assets			2,225		2,169
Current assets					
Trade and other receivables	13	9,180		11,760	
Tax Asset		53		-	
Cash and cash equivalents		2,370		2,429	
Total current assets			11,603		14,189
Total assets			13,828		16,358
Current liabilities					
Trade and other payables	14	5,448		7,729	
Tax liabilities		-		844	
Provisions	16	2,441		2,684	
Lease Liabilities	15	458		523	
Total current liabilities			8,347		11,780
Non-current liabilities					
Trade and other payables	14	619		573	
Provisions	16	1,315		1,635	
Lease Liabilities	15	513		572	
Total non-current liabilities			2,447		2,780
Total liabilities			10,794		14,560
Equity – attributable to equity holders of the Company					
Share capital	17	1		1	
Retained earnings	17	3,033		1,797	
Total equity			3,034		1,798
Total equity and liabilities			13,828		16,358

These accounts were approved by the Board of Directors on 30th March 2021 and signed on its behalf by:


N.J. Sprall
Director

Company registration number: 2509770

The notes on pages 18 to 32 form part of these accounts.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2020	1	1,797	1,798
Total income for the year	-	4,736	4,736
Dividends paid in the year	-	(3,500)	(3,500)
Balance at 31 December 2020	1	3,033	3,034

Balance at 1 January 2019	1	1,913	1,914
Total income for the year	-	6,847	6,847
Write Down of investment upon hive up*	-	37	37
Dividends paid in the year	-	(7,000)	(7,000)
Balance at 31 December 2019	1	1,797	1,798

* Relates to the liquidation of ONN Financial Ltd.

The notes on pages 18 to 32 form part of these accounts.

Statement of Cash Flows

FOR YEAR ENDED 31 DECEMBER 2020

		Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
	Notes		
Cash flows from operating activities			
Profit for the year		4,736	6,847
Adjustments for:			
Depreciation of tangible assets	8	49	34
Depreciation of right-of-use assets	10	623	661
Amortisation of intangibles	9	163	56
Finance expense	5	20	19
Taxation	7	1,102	1,655
Operating profit before changes in working capital and provisions		6,693	9,272
Decrease / (Increase) in trade receivables		625	(196)
Decrease in other receivables		1,955	41
(Decrease) / Increase in trade and other payables		(2,235)	1,208
(Decrease) / Increase in provisions		(563)	516
Cash generated from operations		6,475	10,841
Tax paid		(1,881)	(1,691)
Net cash inflow from operating activities		4,594	9,150
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(121)	(36)
Purchase of intangible assets	9	(396)	(427)
Net cash outflow from investing activities		(517)	(463)
Cash flows from financing activities			
Payment of principal portion of lease liabilities	15	(636)	(681)
Dividends paid		(3,500)	(7,000)
Net cash outflow from financing activities		(4,136)	(7,681)
Net (decrease)/ increase in cash and cash equivalents		(59)	1,006
Cash and cash equivalents at 1 January		2,429	1,423
Cash and cash equivalents at 31 December		2,370	2,429

The notes on pages 18 to 32 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The New Homes Group Limited (the "Company") is a company incorporated, registered and domiciled in the UK. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's accounts:

a) Basis of accounting

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

During the year the Directors have adopted the following new or amended accounting standards and interpretations, all of which are effective for accounting periods starting on or after 1 January 2020:

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

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

Measurement convention

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

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 Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 5 to 9. The financial position of the Company, its cash flows, and liquidity position are shown on pages 14 to 17. In addition, the Directors' Report and notes to these financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Directors have undertaken a thorough assessment of the Company's financial forecasts to 30 June 2022, including the continuing impact of Covid-19 on its operations within the UK. The impact of the Covid-19 pandemic began on 23 March 2020, when the UK housing market was effectively closed for two months. However the Company managed to operate effectively during this period and throughout the rest of the year, despite continuing restrictions and further lockdowns. The Company's ability to react quickly to changing market and operational conditions enabled it to report a strong profit for the year, and maintain its cash resources.

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

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2020 the Company reported a net profit after tax of £5.8m (2019: £8.5m) and at 31 December 2020 had cash balances amounting to £2.4m (2019: £2.4m), even after paying a dividend of £3.5m (2019: £7.0m) to its shareholders. At the date of signing these accounts, the Company still has a similar cash balance and has no external debt.

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

- A two month lockdown forces the UK housing market to close, reducing transactions to the level seen in April and May 2020 before slowly recovering.
- Mitigating actions to reduce headcount, capital expenditure and marketing spend.
- Government support has been assumed to be available during the lockdown months only.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

b) Revenue recognition

Revenue, which excludes value added tax, represents total invoiced sales adjusted for deferred income of the Company and is recognised as follows:

- Residential, new homes marketing, and land sales income is recognised on the date contracts are exchanged unconditionally, at which point all performance obligations are considered to have been fulfilled. Invoices are usually payable on completion.
- Revenue from mortgage procurement fees is recognised on completion of the mortgage transaction, which is when all contractual obligations have been fulfilled.
- Insurance commission income is recognised upon fulfilment of contractual obligations as part of the mortgage process, being when the insurance policy is put on risk; less a provision for expected future clawback repayment in the event of early termination by the customer.

c) Property, plant and equipment

Property, plant and equipment are stated in the Statement of Financial Position at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives at the following rate:

Office equipment	-	3 to 5 years
------------------	---	--------------

All depreciation is charged on a straight-line basis.

d) Intangible assets

Intangible assets include software development costs and purchased software that in the opinion of the directors meet the definition of an intangible asset. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the day they are available for use. The estimated useful lives are as follows:

Computer software	-	3 to 5 years
-------------------	---	--------------

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

e) Goodwill

Goodwill arising on the acquisition of businesses represents the excess of the fair value of consideration over the fair value of identifiable net assets and contingent liabilities acquired at the date of acquisition. Goodwill is calculated after also taking into account the fair value of contingent liabilities of the acquiree.

On the sale of a subsidiary, the profit or loss on sale is calculated after charging or crediting the net book value of any related goodwill. A gain on a bargain purchase arising on an acquisition would be recognised directly in the Income Statement.

In accordance with IAS 36, *Impairment of Assets*, goodwill is not amortised but is tested for impairment at each year end or when there is an indication of impairment.

The recoverable amount of goodwill is determined as the higher of its fair value less costs to sell and its value in use. The value in use calculations are carried out by discounting the future cash flows of the cash generating unit ("CGU"), usually a subsidiary undertaking, and comparing this to its value in use. Future cash flows are based upon approved profit budgets for the next three years (adjusted for depreciation and amortisation) and assumed growth thereafter for the next 12 years of 2.5%. The Company estimates discount rates based on a current cost of capital of the subsidiary. Impairment of a subsidiary's associated goodwill is recognised where the present value of future cash flows of the subsidiary is less than its carrying value.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

e) Trade and other receivables

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

f) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

g) Leases

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

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

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

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

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

During 2020 the Company adopted the IFRS 16 amendment, recognising short term rent concessions relating to the Covid pandemic direct in the income statement, and not recalculating the right of use asset or lease liability. The impact in the year was not material.

h) Taxation

Income tax on the profits for the year comprises current tax and deferred tax. Income tax is recognised in the Income Statement except where items are recognised directly in other comprehensive income, in which case the associated income tax asset or liability is recognised in other comprehensive income.

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

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

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

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

i) Cash and cash equivalents

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

j) Provisions for liabilities and charges

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. If the effect is material, 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, where appropriate, the risks specific to the liability.

k) Net financing costs

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

l) Employee benefits

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

m) Government grants

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

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

Provisions

The provision for insurance commission clawback is estimated using anticipated cancellation rates of term insurance policies. This provision is based on the clawback period from the sign up date of the term insurance policy. The cancellation rates used in calculating the provision are revisited every quarter.

IFRS 16

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

Lease term

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

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

2. Expenses and auditor's remuneration

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Profit before tax is stated after charging the following:		
Depreciation of property, plant and equipment	49	34
Amortisation of Intangible assets	163	56
Staff costs (see note 6)	21,167	21,844
Auditor's remuneration and expenses:		
Audit of these financial statements	28	18

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3. Revenue

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

2020	Products and services transferred at a point in time	Total
	2020	2020
	£000	£000
Income from sale of financial services products	21,569	21,569
Commissions earned on property sales	12,162	12,162
Other fees and commissions	3,813	3,813
	37,544	37,544

2019	Products and services transferred at a point in time	Total
	2019	2019
	£000	£000
Income from sale of financial services products	24,332	24,332
Commissions earned on property sales	17,497	17,497
Other fees and commissions	2,830	2,830
	44,659	44,659

4. Finance income

	Year ended 2020	Year ended 2019
	£000	£000
Interest receivable from group undertakings	53	92
Interest on bank deposits	4	6
	57	98

5. Finance costs

	Year ended 2020	Year ended 2019
	£000	£000
Interest on lease liabilities	20	19
	20	19

6. Staff numbers and costs

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

	Year ended 2020	Year ended 2019
	No.	No.
Directors	5	5
Sales and administration	482	455
	487	460

The aggregate payroll costs of these persons was as follows:

	Year ended 2020	Year ended 2019
	£000	£000
Wages and salaries	18,559	19,355
Social security costs	2,148	2,102
Other pension costs	460	387
	21,167	21,844

Wages and salaries are stated after crediting £1.5m (2019: £nil) of government grants received under the Coronavirus Job Retention scheme (CJRS). Further details are provided in note 18.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Staff numbers and costs *(continued)*

	Year ended 2020 £000	Year ended 2019 £000
Directors' emoluments		
Remuneration as Directors	472	1,587
Company contributions to defined contribution pension schemes	11	9
	483	1,596

The aggregate emoluments of the highest paid director were £285,200 (2019: £513,573). Two of the directors (2019: two) have contributions paid into a defined contribution pension scheme. Contributions in respect of the highest paid director were £2,400 (2019: £2,400).

During the year a total of £108k (2019: £578k), became payable under the long term incentive scheme and £581k (2019: £557k) was paid out to Directors for amounts past due under this scheme. The 2019 amount is included within the remuneration number above.

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

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

7. Tax expense

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
a) Analysis of expense in the year at 19% (2019: 19%)		
Current tax expense		
Current tax at 19% (2019: 19%)	998	1,600
Adjustment for prior years	(13)	3
Total current tax	985	1,603
Deferred tax credit		
Origination and reversal of temporary differences	139	50
Adjustment to tax in respect of prior periods	11	2
Effect of changes in tax rates	(33)	-
Total deferred tax	117	52
Tax expense	1,102	1,655

b) Factors affecting current tax expense in the period

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

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Profit before tax	5,838	8,502
Tax on profit at UK standard rate of 19% (2019: 19%)	1,109	1,615
Effects of:		
Expenses not deductible for tax purposes	28	41
Effects of other tax rates/credits	(33)	(6)
Other	(2)	5
Tax expense	1,102	1,655

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Property, plant and equipment

	Office equipment £000
Cost	
At 1 January 2020	453
Additions	121
At 31 December 2020	<u>574</u>
Accumulated depreciation and impairment	
At 1 January 2020	364
Depreciation charge for the year	49
At 31 December 2020	<u>413</u>
Carrying amounts	
At 1 January 2020	<u>89</u>
At 31 December 2020	<u>161</u>
	Office equipment £000
Cost	
At 1 January 2019	691
Additions	36
Disposals	(274)
At 31 December 2019	<u>453</u>
Accumulated depreciation and impairment	
At 1 January 2019	604
Disposals	(274)
Depreciation charge for the year	34
At 31 December 2019	<u>364</u>
Carrying amounts	
At 1 January 2019	<u>87</u>
At 31 December 2019	<u>89</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9. Intangible assets	Goodwill £000	Computer software £000	Total £000
Cost			
At 1 January 2020	250	613	863
Additions	-	396	396
At 31 December 2020	<u>250</u>	<u>1,009</u>	<u>1,259</u>
Amortisation and impairment losses			
At 1 January 2020	-	174	174
Amortisation for the year	-	163	163
At 31 December 2020	<u>-</u>	<u>337</u>	<u>337</u>
Carrying amounts			
At 1 January 2020	<u>250</u>	<u>439</u>	<u>689</u>
At 31 December 2020	<u>250</u>	<u>672</u>	<u>922</u>
	Goodwill £000	Computer software £000	Total £000
Cost			
At 1 January 2019	250	186	436
Additions	-	427	427
At 31 December 2019	<u>250</u>	<u>613</u>	<u>863</u>
Amortisation and impairment losses			
At 1 January 2019	-	118	118
Amortisation for the year	-	56	56
At 31 December 2019	<u>-</u>	<u>174</u>	<u>174</u>
Carrying amounts			
At 1 January 2019	<u>250</u>	<u>68</u>	<u>318</u>
At 31 December 2019	<u>250</u>	<u>439</u>	<u>689</u>

The goodwill relates to the acquisition of the trade of Stan Collins, a business operating in Scotland, in January 2015.

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

Key assumptions

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Right-of-use assets

	Land and buildings £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2020	855	757	1,612
Additions	148	340	488
Adjustments due to lease modifications/re-measurements	13	-	13
Disposals	-	(159)	(159)
At 31 December 2020	1,016	938	1,954
Accumulated depreciation and impairment			
At 1 January 2020	203	313	516
Depreciation charge for the year	286	337	623
Other Movements	13	(14)	(1)
Disposals	-	(148)	(148)
At 31 December 2020	502	488	990
Carrying amounts			
At 1 January 2020	652	444	1,096
At 31 December 2020	514	450	964

	Land and buildings £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2019	618	683	1,301
Additions	237	219	456
Disposals	-	(145)	(145)
At 31 December 2019	855	757	1,612
Accumulated depreciation and impairment			
At 1 January 2019	-	-	-
Depreciation charge for the year	203	458	661
Disposals	-	(145)	(145)
At 31 December 2019	203	313	516
Carrying amounts			
At 1 January 2019	618	683	1,301
At 31 December 2019	652	444	1,096

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Investments in subsidiaries

At 31 December 2020, the Company owns equity share capital in the following subsidiary undertakings, which are all incorporated in the UK:

Name of subsidiary undertaking	Nature of business	Proportion of ordinary shares held 2020	Proportion of ordinary shares held 2019
TNHG Limited	Dormant		100%
NHMH Direct Ltd	Dormant		100%
Stan Collins & Co Limited	Dormant		100%

The registered address of the above subsidiaries is Cumbria House, 16 – 20 Hockliffe Street, Leighton Buzzard, Bedfordshire, LU7 1GN.

The carrying value of these investments at 31 December 2020 was £nil (2019: £nil).

12. Deferred tax

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

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

	31 December 2020 £000	31 December 2019 £000
At 1 January	295	347
Income statement credit	(117)	(52)
At 31 December	178	295

Deferred tax assets are attributable to the following items:

Deferred tax assets.	Asset £000	Charged to income £000
2020		
Capital allowances	6	9
Provisions	172	108
	178	117
	Asset £000	Charged / (Credited) income £000
2019		
Capital allowances	15	1
Provisions	280	49
	295	50

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at least annually and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. As this rate was not substantively enacted at the year end, deferred tax has been calculated based on the prevailing rate of 19%. The maximum impact of the new 25% rate on the deferred tax asset would be an increase of £56,157.

13. Trade and other receivables

	31 December 2020 £000	31 December 2019 £000
Trade receivables	4,745	5,372
Amounts due from group companies	2,640	4,789
Prepayments and accrued income	1,798	1,604
Bad debt provision	(3)	(5)
	9,180	11,760

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Trade and other receivables *(continued)*

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

	2020 £000	2020 £000	2019 £000	2019 £000
	Gross	Impairment	Gross	Impairment
Not overdue	3,442	-	4,059	-
Overdue 0 – 30 days	708	-	602	-
Overdue 31 – 120 days	442	-	450	-
Overdue 120 days plus	153	(3)	261	(5)
	<u>4,745</u>	<u>(3)</u>	<u>5,372</u>	<u>(5)</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	31 December 2020 £000	31 December 2019 £000
At 1 January	(5)	(2)
Provision made during the year	(22)	(29)
Provision utilised during the year	-	-
Provision released during the year	24	26
At 31 December	<u>(3)</u>	<u>(5)</u>

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

14. Trade and other payables

	31 December 2020 £000	31 December 2019 £000
Trade payables	2,023	2,271
Other payables	3,068	5,171
Amounts owed to group undertakings	709	573
Other taxes and social security costs	267	287
	<u>6,067</u>	<u>8,302</u>

15. Lease liabilities

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

	31 December 2020 £000	31 December 2019 £000
At 1 January	1,095	1,301
Additions	503	456
Disposals	(11)	-
Interest charged	20	19
Lease payments	(636)	(681)
At 31 December	<u>971</u>	<u>1,095</u>
	£000	£000
<i>Lease liabilities are repayable:</i>		
In not more than 3 months	122	169
In more than 3 months but less than 1 year	350	354
In more than 1 year but less than 5 years	499	561
In more than 5 years	-	11
	<u>971</u>	<u>1,095</u>

The discount rates for the leases disclosed above ranged from 0.6% to 3.5%. The Company has several lease contracts that include termination options, usually through a break clause. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and adapt to the Company's business needs. Management exercises judgement in determining whether these termination options are reasonably certain to be exercised.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16. Provisions

	31 December 2020 £000	31 December 2019 £000
Insurance commission clawback		
At 1 January	4,319	3,803
Charged during the year	1,725	3,064
Provisions utilised during the year	(2,288)	(2,548)
At 31 December	3,756	4,319
Due within one year or less	2,441	2,684
Due after more than one year	1,315	1,635
	3,756	4,319

Provision for insurance commission clawback is estimated using anticipated cancellation rates of term insurance policies sold to customers. This provision is based on the clawback period from the sign up date of the term insurance policy. The cancellation rates used in the provision are revisited every quarter. The provision is expected to reverse over the next 3 years.

17. Share capital

	31 December 2020 £'000	31 December 2019 £'000
Authorised, Allotted, called up and fully paid		
2,200 (2019: 2,200) Ordinary A shares of £0.25 each	1	1

Management of capital

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

	31 December 2020 £000	31 December 2019 £000
Capital		
Ordinary A shares	1	1
Retained earnings	3,033	1,797
	3,034	1,798

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act 2006, with which it complies.

The capital position is reported to the Board regularly. The capital position is also given due consideration when corporate plans are prepared.

18. Government grants

	2020 £000	2019 £000
At 1 January	-	-
Received during the year	(1,419)	-
Released to the income statement	1,508	-
At 31 December	89	-
Current	89	-
Non-current	-	-

Government grants have been received relating to the Government Coronavirus Job Retention Scheme, included within employee benefit expenses in note 6. During the year the Company also deferred its Q2 VAT liability of £0.3m, but this was paid before the year end.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Related party transactions

The Company has related party relationships within the Skipton Group as detailed below. All such transactions are priced on an arms-length basis.

	Ultimate parent undertaking £000	Immediate parent undertaking £000	Subsidiary undertaking £000	Other Group Company £000
2020				
a) Net interest				
Interest receivable	-	53	-	-
Total	-	53	-	-
b) Sales of goods and services				
Commission receivable	157	-	-	336
Total	157	-	-	336
c) Purchase of goods and services				
Total	-	-	-	1,264
d) Outstanding balances				
Receivables from related parties	46	2,336	-	258
Payables to related parties	-	(509)	-	(200)
Total	46	1,827	-	58
2019				
a) Net interest				
Interest receivable	-	98	-	-
Total	-	98	-	-
b) Sales of goods and services				
Commission receivable	221	-	-	354
Total	221	-	-	354
c) Purchase of goods and services				
Total	1,117	-	-	548
d) Outstanding balances				
Receivables from related parties	31	4,600	-	158
Payables to related parties	-	(87)	-	(486)
Total	31	4,513	-	(329)

There are no provisions in respect of goods and services to Related Parties, either at 31 December 2020 or at 31 December 2019.

All transactions are dealt with on normal credit terms.

20. Financial instruments

Financial risks

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity. The principal financial risks to which the Company is exposed are liquidity risk, market risk and credit risk; these are monitored on a regular basis by management. Each of these is considered below.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20. Financial instruments *(continued)*

Liquidity risk

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

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

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

2020	Carrying amount £000	Contractual cash flows £000	In not more than 3 months £000	In more than 3 months but less than 1 year £000	In more than one year but not more than 5 years £000	In more than 5 years £000
Trade and other payables	5,359	5,359	5,359	-	-	-
Amounts owing to group companies	709	709	709	-	-	-
Lease Liabilities	971	1,144	151	468	525	-
Total	7,039	7,212	6,219	468	525	-
2019	Carrying amount £000	Contractual cash flows £000	In not more than 3 months £000	In more than 3 months but less than 1 year £000	In more than one year but not more than 5 years £000	In more than 5 years £000
Trade and other payables	7,442	7,442	7,442	-	-	-
Amounts owing to group companies	573	573	573	-	-	-
Lease Liabilities	1,095	1,146	147	378	610	11
Total	9,110	9,161	8,162	378	610	11

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

Market risk

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

Currency risk

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

Interest rate risk

The Company has no interest bearing liabilities. The Company is exposed to movements in interest rates on intercompany balances, this exposure is monitored on a continuous basis.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20. Financial instruments *(continued)*

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Based on historic default rates, the Company believes that no impairment provision is necessary in respect of most trade receivables not due or over due by up to 30 days. For maximum credit exposure see note 13. Management carefully manages its exposure to credit risk.

The Company's financial assets at the year end were as follows:

	Year ended 2020 £000	Year ended 2019 £000
Cash and cash equivalents	2,370	2,429
Trade receivables	4,745	5,372
Other receivables	4,438	6,388
	<u>11,553</u>	<u>14,189</u>

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

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

	2020 Group £000	2019 Group £000
Individual customers	128	108
UK Lenders	1,567	1,632
Major Commercial Housebuilders	3,050	3,632
	<u>4,745</u>	<u>5,372</u>

The Company uses an allowance matrix to measure the expected credit losses (ECLs) of trade receivables, which comprise a large number of small balances. Loss rates are based on actual credit loss experience over the previous year, and adjusted for the Group's view of current economic conditions over the expected lives of the receivables. However given the low levels of impairment loss experience, the ECL allowance is very small.

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

21. Ultimate Parent Undertaking

The New Homes Group Limited is a wholly owned subsidiary of Connells Limited. The ultimate parent undertaking is Skipton Building Society, which is registered in the United Kingdom. The largest group in which the results are consolidated is that headed by Skipton Building Society. The smallest group is that headed by Connells Limited and the consolidated accounts of this company are available to the public and can be obtained from:

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