CONNELLS LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

(Registered Number 03187394)

Contents

Group Directors' Report

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

INTRODUCTION AND OVERVIEW

Connells Limited ("Connells") is a private limited company incorporated in England & Wales with registered number 03187394.

The Connells Group estate agency combines residential sales and lettings expertise with a range of consumer and corporate services including land and new homes, mortgage services, conveyancing, corporate lettings and auctions. At 31 December 2022, Connells and its subsidiaries (the 'Group') trade under 80 brands (2021: 84 brands) from 1,245 (2021: 1,250) estate agency branches (including lettings only branches).

The Group, through its two subsidiaries, Connells Survey & Valuations Limited and Countrywide Surveyors Limited is also one of the largest providers of residential survey and valuation services to homebuyers, lenders and other participants in the UK residential property market. These companies also offer panel management services, administering surveys and valuations on behalf of clients in addition to carrying out the survey or valuation through its own employed surveyors.

Another subsidiary, Lambert Smith Hampton Group Limited carries on business as commercial surveyors and property advisers, offering a wide range of professional services to commercial property occupiers, investors and developers within the UK.

A further subsidiary, The New Homes Group Limited operates in the new build sector offering a range of services to house builders and their customers, including mortgage broking and part exchange management services.

The Connells Group also provides asset management services, managing repossessed and other properties on behalf of lenders and other clients such as probate providers and has a number of other subsidiaries and joint ventures which provide mortgage broking services, conveyancing, will writing services and the provision of energy performance certificates.

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

Details of financial instruments and associated risks are also provided in the Group Strategic Report and Note 25 to the Financial Statements.

DIRECTORS

The Directors who served during the year and up to the date of this report were:

DC Livesey
DK Plumtree
RJ Twigg
MJ Lund
JL Notley (appointed 23 March 2022)
PW Moore (appointed 21 April 2022)
RSDM Ndawula (appointed 21 April 2022)
AP Scott (appointed 1 January 2023)
RS Shipperley (resigned 31 December 2022)
DJ Cutter (resigned 25 April 2022)
AJ Burton (resigned 25 April 2022)
IM Cornelius (resigned 31 December 2022)

MJ Lund , PW Moore and RSDM Ndawula, are also Directors of the ultimate parent undertaking, Skipton Building Society.

The Board places on record its thanks to RS Shipperley who has retired following an exemplary 45 years' service with the Group.

DIVIDENDS

During the year the company paid interim ordinary dividends of £35,000,000 (2021: £60,000,000).

The Directors do not propose a final ordinary dividend in respect of the current financial year (2021: £nil).

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations of £651,000 during the year (2021: £105,000).

The Group made no political donations during the year (2021: £nil).

EMPLOYEES

It is Company and Group policy to regularly provide employees with information concerning their roles and responsibilities and the trading performance of the Company and Group. This policy is to ensure opportunities are available at every level to improve both employees' individual and corporate performance. Directors regularly brief all employees through a series of meetings and newsletters.

Group Directors' Report (continued)

EMPLOYEE DEVELOPMENT AND EQUAL OPPORTUNITIES

The Group'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. The Group is always looking to progress its diversity and inclusivity policies.

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 Group, every reasonable effort is made to enable them to continue their career within the Group.

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 Group's financial forecasts to 31 December 2024.

During 2021 the Group took out a £253.0m loan from Skipton Building Society, its ultimate parent undertaking, repayable over 20 years, in order to fund the acquisition of Countrywide plc ("Countrywide"), settle the existing debt within Countrywide and enable investment and working capital for the Group. The Group has already repaid a significant portion of this loan, and the outstanding liability at the year end is £124.5m (2021: £128.2m). There are no covenants attached to the loan.

The Group is also funded by its operating profits and the cash thereby generated. For the year ended 31 December 2022 the Group reported a net profit before tax of £67.5m (2021: £111.3m) and at 31 December 2022 had a cash balance of £107.0m (2021: £119.1m), after paying dividends totaling £35.0m (2021: £60.0m) to its shareholder. At the date of signing these accounts, the Group continues to hold a cash balance of £135.4m (2021: £97.7m).

The Directors have also performed extensive stress testing to model potential market shocks, and the related impact on business volumes, which include mitigating actions including reducing headcount, capital and other discretionary spend. 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 political and economic circumstances. The key assumptions used in this severe stress scenario are as follows:

- UK housing market transactions fall to the levels seen in the 2008 financial crisis, the lowest on record, a decline of over 30% on the base scenario. This would have a proportionate impact on most revenue streams as volumes decline.
- House price deflation of 30%.
- 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 Group would be able to withstand the financial impact. The Group's financial strength and diversity means that it is well positioned to withstand such a downturn.

A reverse stress test has also been performed, which required a significantly deeper and prolonged downturn for the Group to exceed available funds, which the Directors consider to be remote. Were this unlikely situation to occur then there are further actions available and within the control of management to reduce costs and manage liquidity.

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.

Group Directors' Report (continued)

STREAMLINED ENERGY CARBON REPORTING (SECR)

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

The Group's Environmental Policy outlines the ways in which the Group reduces the use of paper, utilises recycling options, reduces pollution and levels of energy use where possible. Initiatives such as the progressive reduction in company car CO_2 emissions by replacing ageing petrol and diesel cars with hybrid and electric vehicles, the replacement of lighting with low energy units and the roll out of smart electricity and gas meters are examples of the Group's commitment to operating in an environmentally sustainable way.

The figures below are published in line with SECR requirements.

	Tonnes of carbon dioxide equivalent (tCO2e)	
Emissions scope	**2022**	**2021**
Scope 1 – direct emissions from owned or controlled sources (natural gas and company cars)	4,321	5,314
Scope 2 – indirect emissions purchased energy (electricity)	4,715	4,877
Scope 3 – other indirect emissions (business travel in employee owned vehicles)	3,454	872
Total emissions	12,490	11,063

Greenhouse gas emissions and energy use data from 1 January to 31 December 2022 gives a total energy consumption figure across all sites (including transport) totalling 58,983,141 kWh (2021: 52,720,977 kWh), The scope 3 emissions data for 2021 includes Countrywide, and for 2022 it now includes Connells as well as Countrywide resulting in an increase in the emissions we have measured. In terms of emission intensity, total tonnes of carbon dioxide equivalent per £m of Group's turnover is 12.23 (2021: 11.07), which reflects the Group's relatively low carbon footprint given its size. During 2023 we will agree an emissions reduction plan and net zero strategy. In terms of methodology, the Group appointed Catalyst and BiU to independently assure the accuracy, completeness and consistency of energy use and greenhouse gas emissions data within the operations under our direct control. Some data has been estimated using extrapolation of available data.

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.

By order of the board

DC Livesey
Director

24 February 2023

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

Group Strategic Report

2022 BUSINESS REVIEW

	2022	2021
Revenue	**£1,021.2m**	**£999.5m**
Total income [a]	**£1,035.5m**	**£1,003.8m**
Earnings before interest, tax, depreciation and amortisation, impairment and contingent consideration (EBITDA) [b]	**£124.9m**	**£181.1m**
Profit before tax	**£67.5m**	**£111.3m**

Movement in:	**2022 LFL** [c]	2021 LFL [c]
Estate agency property exchanges	**-18%**	**+50%**
Residential lettings properties under management	**-0%**	**+3%**
Number of mortgages arranged	**-4%**	**+8%**
Surveys and valuations completed	**-8%**	**+26%**
Number of conveyancing transactions arranged	**-21%**	**+56%**

[a] Total income comprises revenue (2022: £1,021.2m, 2021:£999.5m), other operating income (2022:£12.9m, 2021: £3 1m) and Group share of profit after tax in joint ventures (2022:£1.4m, 2021:£1.2m).
[b] Before Group share of profit after tax in joint ventures, dividends paid to non-controlling interests, profit on disposal of investments and fair value gains on step acquisitions of Group undertakings
[c] Like for like excludes the impact of acquisitions made in 2021.

Connells Group is the UK's largest estate agency measured by both market share and number of branches. 2022 is the first full year of including Countrywide's results following its acquisition on 8 March 2021. The integration continues to progress well with common systems and processes having been rolled out across the combined business during the year. The Group continues to believe that a well-invested high street branch network, coupled with a diversified brand portfolio, provides an attractive offering to its customers and, consequently, has maintained and enhanced Countrywide's current branding and service offering, while leveraging its own track record of positive investment in people and technology.

The UK housing market was, as expected, more challenging in 2022 following the exceptional number of transactions in 2021 fuelled by the stamp duty holiday, pent up demand following the pandemic and continuing low interest rates. Volumes in 2022 fell with the first half of the year also being impacted by slow sales pipeline conversion, due largely to a lack of capacity in the conveyancing industry. In the second half, the impact of the war in Ukraine, cost of living crisis and increasing interest rates impacted the UK housing market, and the Government's disastrous mini-budget in September adversely affected mortgage affordability and transactions in Q4 reduced sharply.

Consequently, the Group achieved an EBITDA of £124.9m in 2022, down from £181.1m in 2021. Profit before tax for the year was £67.5m (2021: £111.3m), this is after charging £20.7m (2021: £52.4m) amortisation on intangible assets created as part of the Countrywide acquisition, and 2021 benefitting from a one off fair value gain on disposal of joint ventures of £27.1m.

The number of properties that the Group exchanged contracts on during the year (on a like for like basis) was 87,395 (2021: 106,803), a decrease of 18%, reflecting the more challenging market conditions as the Group maintained its market share and branch footprint. Consequently, income from property sales was down 18% on 2021 on a like for like basis. At the end of the year, the Group traded from 1,245 branches (31 December 2021: 1,250).

The Group's mortgage services proposition continues to perform well and the number of mortgages arranged by the Group decreased by only 4% on a like for like basis, despite the reduction in house sales exchanges. Income from the sale of financial services products decreased by 2% from the prior year on a like for like basis. The total value of lending generated for UK mortgage providers during 2022 increased by 2% to £36.9bn (2021: £36.2bn) as the Group remains focused on helping more customers to buy homes or reduce their mortgage outgoings by providing them with a good experience and outcome.

The Group's lettings division manages properties on behalf of landlords, and also has a duty to ensure tenants are kept safe and compliant with the latest regulations. The number of properties under management by the Group at the year end was 122,614 (2021: 122,518). Income from lettings increased by 4% compared to the prior year on a like for like basis. The Group's lettings division continues its investment in people and integrating technology to improve productivity and drive down its administrative costs.

The Group's conveyancing proposition helps customers navigate the legal side of a property purchase or sale, both with its in-house conveyancers and third party panel referrals. The number of conveyancing transactions arranged in 2022 decreased by 21% as a result of the decrease in the number of house sale exchanges.

Our two survey and valuations businesses continue to trade separately, offering their services independently to lenders and other participants in the UK property market. As a result of the significantly lower volumes in Q4 2022, the total number of survey and valuation jobs completed in 2022 decreased by 8% year on year on a like for like basis. The Group's Survey and valuation income fell by 6% from the prior year. We continue to invest in new technology and process improvements to drive productivity, support clients' risk management and improve customer outcomes. This includes offering a desktop valuation proposition. We also continue to invest in people, training new surveyors through AssocRICS development programmes, and the focus remains on delivering great customer service.

Group Strategic Report (continued)

Lambert Smith Hampton (LSH) is one of the largest commercial property consultancies in the UK with 32 offices and over 900 employees. Working with commercial property owners, investors and occupiers, LSH partners with many household names across many different sectors, in both the public and private sector. LSH advises on all aspects of commercial property transactions in addition to residential block and commercial management. As expected, LSH saw a reduction in activity in 2022, with income down 6% year on year.

The Group's cost base reduced during the year, with other operating expenses decreasing to £315.9m from £348.6m on a like for like basis (decrease of 9%). Following the acquisition of Countrywide, management have integrated the two businesses, merging support functions where it makes commercial sense to do so, and reducing duplicated costs. Focus on cost control remains an absolute priority of the business.

We remain committed to invest in all parts of its business, aiming at delivering an efficient, customer focused proposition, with our diverse business model being well positioned to manage fluctuations in the housing market. Within the estate agency operations we focus continually on the service provided to customers through our high street presence. We are continuing to invest in digital products and solutions, including the continued enhancement of customer communications and online portal to support our branch operations in winning and retaining business and achieving successful transaction outcomes for customers.

Building upon the successes achieved through coordinated national campaigns, the Group continues to expand the use of digital and social media advertising. These activities are centrally managed and fully tracked via our lead management platform. This approach provides flexibility, allowing us to adapt quickly during changing market conditions.

The Group made a further four small business acquisitions during the year, each of which will complement and add to the Group's proposition. Further details are set out in note 24.

The Group ended 2022 with the sales pipeline below the prior year. Market conditions softened following the mini budget in September and 2023 is therefore likely to begin the year slower than 2022. However we have started to see some positive signs following the November Autumn Statement, and activity levels in a number of areas have improved recently; and we remain cautiously optimistic for the market in 2023. Whatever the market, the Group has the management expertise, coupled with good levels of liquidity to take advantage of whatever conditions present.

Climate-Related Financial Disclosures

These disclosures are consistent with the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations, subject to further steps being taken. Work to model the impact of climate related scenarios (including a 2ºc or lower scenario) on our business strategy will be completed during 2023. During 2023 the Group will also agree an emission reduction plan and net zero strategy.

Governance

The Audit & Risk Committee supports the Board in managing all risks, including climate-related risks. The Audit & Risk Committee meets quarterly to review top risks, and an annual review of risks and uncertainties by the Audit & Risk Committee and the Board includes assessing the impact of climate change on the Group.

Management responsibility for the identification and management of the financial risks from climate change is allocated to the Group Finance Director. The Group Finance Director is supported by the Group's Environmental, Social and Governance (ESG) Committee. The purpose of the ESG Committee is to set, approve and monitor progress against the Group's ESG Strategy and to drive delivery of our vision to build a better and more sustainable organisation.

Strategy

Our climate risk strategy is to mitigate our carbon footprint and manage our climate risk exposures where possible, while helping our customers transition towards a net zero carbon economy.

Climate change risk can be split into two broad themes: physical and transition risk. Physical risk arises from the impact of extreme weather events (e.g. flooding) or longer-term shifts in the climate. It is widely accepted that climate change will accelerate these risks. Transition risk arises from the process of adjusting to a low carbon economy impacting (for example) financial asset values or policy and regulation. These risks are considered over the short (<5 years), medium (5-10 years) and long (10+ years) term.

Two key climate-related risks the Group is exposed to are summarised below:

1. An increasing number of properties could be subject to physical flooding or subsidence (over the medium and long term) resulting in professional indemnity insurance claims against the Group's survey and valuation businesses and conveyancing business; and
2. There is a risk that the general strength of the UK economy, to which the UK housing market correlates closely, could be adversely impacted by the transition to a lower carbon economy.

Whilst, following qualitative analysis, we do not expect climate related risks to have a material impact on the Group's business, strategy and financial planning; in 2023 we will be modelling the impact of climate related scenarios (including a 2ºC or lower scenario) on our corporate plans.

Group Strategic Report (continued)

Risk Management

The Group uses its existing risk management framework to identify, assess and manage climate-related risks. A Climate Change Risk Framework exists, which outlines the structure, arrangements and processes for the management and control of risks from climate change. When assessing the relative significance of climate-related risks in relation to other risks, we have considered the financial impact of the risks on the Group's income and costs, and operational resilience.

Metrics and Targets

The Group's long term plan is to become a net zero carbon business, with a science based target to reduce our greenhouse gas emissions. The remaining scope 1, 2 and 3 emissions which cannot be eliminated will be offset by a carbon neutral offsetting programme. During 2023 the Group will agree an emission reduction plan and net zero strategy.

The Group uses metrics to monitor any increase in risks where climate-change is a root cause. These include monitoring any increase in business interruptions caused by physical climate events, monitoring the value of pension scheme assets in case they are affected by physical or transition risks, monitoring any increase in professional indemnity claims caused by physical climate change, and qualitative assessments of whether Government policy or other initiatives will impact the Group.

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 the Group's 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 Group's key stakeholders.

The Connells Group aims to deliver sustainable and growing revenues from efficient operations supported by a lean management cost structure, which enables the Group to adapt to market opportunities. Connells recognises that the housing market is cyclical and can vary widely from one location to another. Across the Group, local entrepreneurship is actively encouraged and supported. This "grass roots" awareness of customer service and profit management has been at the core of Connells' success and is a key component to its future strategy.

The Group aims to grow its operations through both new branch openings and via acquisitions. Where a good strategic fit exists, the Group proactively explores the acquisition of smaller regional players, who are often market leaders in their locality.

Decision making

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

- The longer term strategy was discussed and agreed, and the annual corporate plan was approved following a robust and comprehensive review process. It was agreed the plan was an appropriate target for the Group to achieve an attractive shareholder return.
- As explained in note 24, the Group acquired a further four small businesses during the year. The acquisitions support the strategy of acquiring good businesses either in new locations or that enhance our presence in existing postcodes. The acquisitions were made out of existing cash reserves.
- Approved interim dividends – Meeting shareholder dividend expectations is a top priority to ensure the funds are able to benefit the wider Skipton Group. The corporate plan indicates the dividend level to be sustainable and still allow the Connells Group to invest in growth, and meet the needs of its pension scheme members.

Business relationships

The Group 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 Group 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 Group and the environment are regularly assessed with options for improvement considered where available. Regular reviews of adherence to key policies, such as Modern Slavery, GDPR and tax fraud, 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 Group's services are primarily delivered through its high street branch 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, selling and renting journey.

The Group 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 Group 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.

Group Strategic Report (continued)

Environmental, Social and Governance (ESG)

The Group is committed to being a responsible business and seeks to deliver positive impacts for our people, the environment and the communities we serve.

Environmental matters

The Board recognises that, as a responsible business, it has an obligation to operate in a manner that minimises our environmental impact by reducing our carbon emissions and our consumption of resources. We will provide products and services to help our customers improve the energy efficiency of their properties and reduce carbon emissions, whilst also building colleague awareness of environmental impacts. We operate in a sector that has a relatively low carbon footprint, however we follow relevant environmental legislation in carrying out our business; and Group policy is to seek to minimise our contribution to environmental damage and maximise our contribution to safe recycling and reprocessing of waste materials.

The Group's Environmental, Social and Governance committee has a specific focus on reviewing where the Group's CO_2 footprint can be reduced, and implementing measures to do so. During 2022, our John D Wood business transitioned to electric cars, and for the rest of the Group only Ultra Low Emission Vehicles (ULEVs) are now offered to non-essential users. We also launched an ULEV car leasing scheme which enables all colleagues to access a personal lease for a new electric or plug in hybrid car. This will reduce overall CO_2 emissions from colleagues using vehicles for business purposes. During 2023 we will agree an emissions reduction plan and net zero strategy, survey all Group properties and agree a plan to implement LED lighting across our estate where appropriate.

Social matters

The Group is committed to ensuring that our colleagues have a great place to work by engaging with them, supporting and developing them in their careers and career aspirations, and by promoting inclusion and diversity in our workforce. We also encourage colleagues to engage in local community and charitable activities.

The 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 Group seeks direct feedback from its workforce on areas such as leadership, reward, trust, respect, well-being and communication. The Group carried out an employee engagement survey in 2022 which benchmarked colleagues' engagement and provided feedback for managers to implement measures relevant to their teams.

The Board has established a Diversity and Inclusion group, aimed at ensuring that the Group continues to ensure that Connells supports a diverse and inclusive workplace. During 2022 we initiated a Women in Leadership pilot which provides mentoring to develop colleagues for leadership in the Group. In 2023 the Group will deliver the Women in Leadership Programme, establish diversity and inclusion networks to cover gender, race, LGBTQI+ and wellbeing, deliver unconscious bias training for managers and leaders, and launch a Great Place to Work action plan covering values, mission, leadership and culture.

The Group 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 fire, health, safety and welfare policy. Remuneration structures are designed to reward high performance. The Group's modern slavery policy supports the objectives of the Modern Slavery Act 2015, further details of which can be found on the Group website. The Group continues to operate with the safety of its colleagues and customers being a priority.

The Group is committed to ensuring that there are no instances of bribery or corruption throughout the business. Group 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 Group. 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.

The Group has a charity partnership with Mind UK, a leading mental health charity which provides advice and support to empower anyone experiencing mental health problems. This is a cause that resonates well with colleagues and the Group provides support through a range of fundraising activities and campaigns across the network. The Group committed to raising over £20,000 over two years as part of its corporate partnership, and raised over £70,000 in its first year alone. The business has also joined forces with Pennies from Heaven to help raise further funds for Mind. Pennies from Heaven is the UK's largest workplace micro giving scheme, taking the spare change from payslips each month and sending them directly to the charity. During 2022 the Group also donated £500,000 to support the victims of the conflict in Ukraine.

The Group also participates in supporting national charitable events such as Comic Relief, Children in Need, Jeans for Genes, Wear it Pink and Macmillan Coffee Morning, and on a local level, head offices based in Leighton Buzzard work with various partners on local community initiatives. A number of subsidiaries also have their own charity partnerships and conduct their own local and community fundraising. Many colleagues across the Group actively participate in fundraising for local or chosen charities and we applaud this.

Governance

The Group is committed to having appropriate governance arrangements and complying with regulatory and legal requirements. Group policies are reviewed and monitored regularly to ensure they remain appropriate and fit for purpose.

The Board is responsible for determining the Group'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 Group 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 Group, and its compliance is reviewed annually.

Group Strategic Report (continued)

Risks and uncertainties

The Group recognises that successfully managing its risks is essential to support its activities. The Board has overall responsibility for the systems of internal control and risk management and, through the Audit and Risk Committee, regularly assesses the management of key risks facing the business. The Group operates a risk management framework which establishes principles to support the effective management of risks. The Group's risk appetite is documented in risk appetite statements, which are reviewed and approved annually by the Audit and Risk Committee, before being recommended for approval to the Board. The Group operates a three lines of defence model as follows:

- Management throughout the Group's businesses are primarily responsible for identifying, assessing, controlling, monitoring and reporting risks and ensuring an appropriate risk management culture exists across their lines of responsibility.
- The Group's risk and compliance functions develop and oversee the risk management framework, set policy, provide guidance and support to management and provide monitoring and oversight on behalf of the Board.
- Internal Audit, provided by the Skipton Group Internal Audit function, provides third line independent assurance on the systems of risk and internal controls in place across the Group.

The principal risks facing the Group, together with how the Group 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 started well for the UK housing market, but the cost of living crisis, higher interest rates and generally uncertain economic conditions impacted the market towards the end of the year. 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 to ensure that appropriate action is taken to manage short term market uncertainties whilst ensuring that the Group, through its diversified business model, is well positioned to capitalise when market conditions change for the better. The Board, through regular stress testing, also ensures that the Group maintains sufficient resources to withstand a severe downturn in the UK housing market.

Competitors

The Group operates in a number of markets where traditional operating models are often challenged, particularly in the digital/online space. Failure to adapt and respond could lead to a fall in market share and, consequently, revenue.

The Group continues to monitor changing trends in its markets and, as noted above, will continue to invest in both its systems and people so that it can address any relevant changes to customers' behaviour and expectations. The Group believes that its strengths lie in providing customers with high quality face to face advice, across a range of services, from an extensive local High Street presence and will continue to strengthen its proposition to ensure customers continue to receive excellent customer service.

Regulatory Compliance

The Group's businesses operate across a number of regulatory environments, which change and evolve rapidly. Failure to comply with current or future regulatory requirements could result in regulatory censure, fines or enforcement action which would impact on the Group'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. During 2023 the Group will deliver an implementation plan to ensure it complies with new FCA Consumer Duty requirements. The Group 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 Group 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 Group's systems could also be subject to the increasing risk of a cyber-attack.

The Group 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. Training is provided to all colleagues to advise them of good security procedures and data protection requirements.

Group Strategic Report (continued)

Risks and uncertainties (continued)

Provisions for liabilities

The previous downturn in the UK housing market caused the Group to experience an increase in professional indemnity insurance claims against it, particularly within its survey and valuation businesses, however current incidence of new claims remains low.

Robust training, supervision and quality assurance processes exist aimed at reducing the likely incidence of such claims in the future. Current outstanding claims continue to be well managed by an experienced team and the Group carries an appropriate level of Professional Indemnity Insurance cover.

Details of the provision for professional indemnity insurance liabilities, other provisions and contingent liabilities are set out in note 20 to the financial statements.

Loss of a major client

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

Each business 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 Group'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 Group is relatively highly operationally geared. Trading performance is sensitive to transaction volumes in the UK residential housing 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 Group's policy is to retain sufficient cash and capital resources to allow it to withstand market volatility and achieve its corporate objectives.

People

Estate agency is very much a people business. As such, the Group is reliant on the ability, training, skills and motivation of its people. A key risk to the business is the possibility of losing people, particularly senior managers who have extensive knowledge and experience.

In order to combat this, the Board ensures that service agreements, remuneration packages, and human resources policies are constantly reviewed.

Customers

The Group 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.

D C Livesey

DC Livesey
Director

24 February 2023

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 group and parent company financial statements for each financial year. Under that law the Directors have elected to prepare the group and the parent company financial statements in accordance with UK adopted International Accounting Standards and as regards to the parent company financial statements, as applied in accordance with section 408 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 group and the company and of the profit or loss of the group and 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 group and company financial position and financial performance;
- in respect of the group financial statements, state whether UK 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 and/ or the group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the company and the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent 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 consolidated financial statements, prepared in accordance with UK adopted 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 parent company and undertakings included in the consolidation taken as a whole;
- 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 and undertakings included in the consolidation taken as a whole, 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 CONNELLS LIMITED

Opinion

We have audited the financial statements of Connells Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Company Statement of Financial Position, the Group and Company Statements of Changes in Equity and the Group Statement of Cash Flows and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements 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 group 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 as applied to other entities of public interest, 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. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included;

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment.
- We obtained management's going concern assessment, including the cash forecasts for the going concern period to December 2024. The Group has modelled adverse scenarios in their cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the Group.
- We considered the appropriateness of the methods used to calculate the cash forecasts and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity.
- We considered the mitigating factors included in the cash forecasts that are within control of the Group. This includes review of the Company's non-operating cash outflows, payments of dividends and evaluating the Company's ability to control these outflows as mitigating actions if required.
- We have performed reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity during the going concern period.
- We read the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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 group and parent company's ability to continue as a going concern for a period to December 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 group'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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 11, 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 group's and the parent 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 group or the parent 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.

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 Connells Limited is complying with those frameworks by making enquiries of those charged with governance and management. We understood the incentive and ability to override controls. We considered management's attitude and tone from the top to embed a culture of honesty and ethical behaviour whereby 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 Group and 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 the fraud risk framework within the Group.

- Based on this understanding we designed our audit procedures to identify non-compliance 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.
    - Utilising 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.
    - 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.

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
24 February 2023

Group Income Statement

For the year ended 31 December 2022

	Notes	Year ended 2022 £000	Year ended 2021 £000
Revenue	3	1,021,153	999,460
Other operating income	6	12,852	3,077
Employee benefit expenses	7	(647,521)	(597,914)
Other operating expenses	2	(315,903)	(316,344)
Operating profit		**70,581**	**88,279**
Presented as:			
Earnings before interest, tax, depreciation, amortisation and impairment		124,855	181,066
Depreciation of tangible assets	2,10	(8,420)	(8,562)
Depreciation and impairment of right-of-use assets	12	(32,337)	(26,412)
Amortisation and impairment of intangibles	11	(25,286)	(59,729)
Fair value changes in financial instruments held at FVTPL	14	11,769	1,916
Operating profit		**70,581**	**88,279**
Finance income	4	3,102	394
Finance costs	5	(7,274)	(7,101)
Net financing costs		(4,172)	(6,707)
Group share of profit after tax in joint ventures	13	1,410	1,237
Dividends paid to non-controlling interests		(315)	(662)
Profit on disposal of Investments	24	-	2,256
Fair value gains on step acquisitions of Group undertakings	24	-	26,921
Profit before tax		**67,504**	**111,324**
Taxation	8	(13,027)	(16,496)
Profit for the year		**54,477**	**94,828**
Attributable to:			
Equity holders of the Company		**54,659**	**94,716**
Non-Controlling Interests		**(182)**	**112**
		54,477	**94,828**

The Group had no material discontinued operations in the current year or preceding year.

The notes on pages 21 to 65 form part of these financial statements.

Group Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	Year ended 2022 £000	Year ended 2021 £000
Profit for the year		**54,477**	**94,828**
Other comprehensive (expenses)/ income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on retirement benefit obligations	23	(5,492)	11,541
Tax on actuarial (loss)/ gain on retirement benefit obligations			
- deferred tax (charge)	15	(702)	(2,356)
- current tax credit/(charge)		1,804	1,445
Exchange differences arising on retranslation of foreign operations		-	9
Other comprehensive (expense)/ income for the year (net of income tax)		**(4,390)**	**10,639**
Total comprehensive income for the year		**50,087**	**105,467**
Total comprehensive income attributable to:			
Equity holders of the Company		**50,269**	**105,355**
Non-Controlling Interests		**(182)**	**112**
		50,087	**105,467**

The notes on pages 21 to 65 form part of these financial statements.

Group Statement of Financial Position

At 31 December 2022

	Notes	31 December 2022 £000	£000	31 December 2021 £000	£000
Non-current assets					
Property, plant and equipment	10	32,503		32,829	
Intangible assets	11	268,269		290,509	
Right-of-use assets	12	92,268		80,161	
Investments	13	10,136		9,476	
Financial assets	14	5,442		12,775	
Tax Assets		5,625		-	
Deferred tax assets	15	9,137		14,796	
Retirement benefit asset	23	-		1,244	
Total non-current assets			423,380		441,790
Current assets					
Financial assets	14	22,500		-	
Trade and other receivables	16	94,095		105,653	
Cash and cash equivalents	17	106,951		119,057	
Total current assets			223,546		224,710
Total assets			**646,926**		**666,500**
Current liabilities					
Trade and other payables	18	144,555		168,362	
Tax liabilities		-		344	
Provisions	20	22,538		21,488	
Lease liabilities	19	27,609		23,607	
Total current liabilities			194,702		213,801
Non-current liabilities					
Trade and other payables	18	124,854		133,082	
Provisions	20	11,273		13,880	
Retirement benefit obligation	23	12,653		12,973	
Lease liabilities	19	70,498		74,905	
Total non-current liabilities			219,278		234,840
Total liabilities			413,980		448,641
Equity – attributable to equity holders of the Company					
Share capital	21	1		1	
Share premium	21	25,988		25,988	
Capital redemption reserve	21	3,000		3,000	
Translation reserve	21	9		9	
Retained earnings	21	203,798		188,529	
Non-controlling Interest	21	150		332	
Total equity			232,946		217,859
Total equity and liabilities			**646,926**		**666,500**

These accounts were approved by the Board of Directors on 24 February 2023 and signed on its behalf by:

D C Livesey

DC Livesey
Director

Company registration number: 03187394

The notes on pages 21 to 65 form part of these accounts.

Company Statement of Financial Position

At 31 December 2022

		31 December 2022		31 December 2021	
		£000	£000	£000	£000
	Notes				
Non-current assets					
Property, plant and equipment	10	6,204		6,384	
Intangible assets	11	2,441		3,779	
Right-of-use assets	12	9,559		166	
Investments	13	255,514		257,143	
Financial assets	14	5,341		12,554	
Deferred tax assets	15	6,231		6,875	
Total non-current assets			285,290		286,901
Current assets					
Financial assets	14	22,500		-	
Trade and other receivables	16	45,396		46,758	
Cash and cash equivalents	17	46,197		72,327	
Total current assets			114,093		119,085
Total assets			**399,383**		**405,986**
Current liabilities					
Trade and other payables	*18*	*90,262*		*81,963*	
Provisions	20	1,656		1,684	
Lease liabilities	19	1,404		63	
Tax liabilities		391		1,899	
Total current liabilities			93,713		85,609
Non-current liabilities					
Trade and other payables	18	115,683		129,773	
Provisions	20	1,057		941	
Lease liabilities	19	507		119	
Retirement benefit obligation	23	11,062		12,973	
Total non-current liabilities			128,309		143,806
Total liabilities			222,022		229,415
Equity – attributable to equity holders of the Company					
Share capital	21	1		1	
Share premium	21	25,988		25,988	
Capital redemption reserve	21	3,000		3,000	
Retained earnings	21	148,372		147,582	
Total equity			177,361		176,571
Total equity and liabilities			**399,383**		**405,986**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act (2006) and has not presented its own income statement in these financial statements. The total comprehensive income for the year was £35,790,000 (2021: £97,499,000).

These accounts were approved by the Board of Directors on 24 February 2023 and signed on its behalf by:

DC Livesey
Director

Company registration number: 03187394

The notes on pages 21 to 65 form part of these accounts.

Statements of Changes in Equity

For the year ended 31 December 2022

Group

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Non-Controlling Interest £000	Translation Reserve £000	Total equity £000
Balance at 1 January 2022	1	25,988	3,000	188,529	332	9	217,859
Total comprehensive income for the year	-	-	-	50,269	(182)	-	50,087
Dividends to shareholders	-	-	-	(35,000)	-	-	(35,000)
Balance at 31 December 2022	**1**	**25,988**	**3,000**	**203,798**	**150**	**9**	**232,946**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Non-Controlling Interest £000	Translation Reserve £000	Total equity £000
Balance at 1 January 2021	1	25,988	3,000	143,646	-	-	172,635
Total comprehensive income for the year	-	-	-	105,346	112	9	105,467
Acquisition of non-controlling interest without a change in control				(463)			(463)
Dividends to shareholders	-	-	-	(60,000)	-	-	(60,000)
Undertakings with less than 100% control					220		220
Balance at 31 December 2021	**1**	**25,988**	**3,000**	**188,529**	**332**	**9**	**217,859**

Company

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2022	1	25,988	3,000	147,582	176,571
Total comprehensive income for the year	-	-	-	35,790	35,790
Dividends to shareholders	-	-	-	(35,000)	(35,000)
Balance at 31 December 2022	**1**	**25,988**	**3,000**	**148,372**	**177,361**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2021	1	25,988	3,000	110,155	139,144
Total comprehensive income for the year	-	-	-	97,427	97,427
Dividends to shareholders	-	-	-	(60,000)	(60,000)
Balance at 31 December 2021	**1**	**25,988**	**3,000**	**147,582**	**176,571**

The notes on pages 21 to 65 form part of these accounts.

Group Statement of Cash Flows

Cash flows from operating activities	Note	Year ended 2022 £'000	Year ended 2021 £'000
Profit for the year		54,477	94,828
Adjustments for:			
Depreciation and impairment of tangible assets	10	8,420	8,562
Depreciation and impairment of right of use assets	12	32,337	26,412
Amortisation and impairment of intangible assets	2,11	25,286	59,729
Profit on disposal of property, plant and equipment	2	(322)	(445)
Finance income	4	(3,102)	(394)
Share of profit of joint ventures	13	(1,410)	(1,237)
Finance expense	5	7,274	7,101
Dividends paid to non-controlling interests		315	662
Tax expense	8	13,027	16,496
Fair value changes in financial instruments held at FVTPL	6	(11,769)	(1,916)
Fair value gains on step acquisitions of Group undertakings	24	-	(26,921)
Profit on disposal of equity investments	24	-	(2,256)
Operating profit before changes in working capital and provisions		**124,533**	**180,621**
Contributions to defined benefit pension schemes	23	(4,917)	(24,880)
Decrease in trade receivables		8,111	12,123
Decrease in prepayments and other receivables		3,447	10,829
Decrease in trade and other payables		(22,834)	(6,122)
Decrease in provisions		(1,557)	(1,849)
Cash inflow from operations		**106,783**	**170,722**
Tax paid		(12,310)	(19,498)
Net cash inflow from operating activities		**94,473**	**151,224**
Cash flows from investing activities			
Interest received		2,996	394
Interest paid		(5,188)	(4,832)
Dividends received from joint ventures	13	750	2,139
Purchases of shares in subsidiaries, net of cash acquired	24	(3,254)	(122,720)
Proceeds on disposal of subsidiaries		-	58,698
Proceeds on sale of investments		20	8,175
Purchases of shares in assets held at FVTPL	6	-	(448)
Purchases of business assets, net of cash acquired	24	(732)	(205)
Purchases of computer software	11	(4,353)	(4,055)
Purchases of property, plant and equipment	10	(8,430)	(7,541)
Proceeds on disposal of property, plant and equipment		658	1,209
Net cash (outflow) from investing activities		**(17,533)**	**(69,186)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(49,018)	(40,372)
Dividends paid to parent undertaking	9	(35,000)	(60,000)
Dividends paid to non-controlling interests		(315)	(662)
Loan advanced by ultimate parent undertaking		-	253,000
External term and revolving facility loans repaid		(825)	(93,000)
Loan repayments to ultimate parent undertaking		(3,888)	(125,000)
Net cash (outflow) from financing activities		**(89,046)**	**(66,034)**
Net (decrease)/ increase in cash and cash equivalents		**(12,106)**	**16,004**
Cash and cash equivalents at 1 January		119,057	103,053
Cash and cash equivalents at 31 December		**106,951**	**119,057**

The notes on pages 21 to 65 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Connells Limited (the "Company") is a Company incorporated, registered and domiciled in the UK. The following accounting policies have been applied consistently in these Group and Company financial statements:

a) Basis of accounting

Both the Company and the Group financial statements have been prepared and approved by the Directors in accordance with UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006 and effective as at 31 December 2022. In publishing the Parent Company financial statements here, together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual Income Statement and Statement of Cash Flows and related notes that form a part of these approved financial statements. The amount of the profit for the year dealt with in the financial statements of Connells Limited is disclosed in the Statement of Changes in Equity in these financial statements.

Adoption of new and revised UK Financial Reporting Standards

The Company adopted during the year the following amendment 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); and
- *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* (effective from 1 January 2023) ;
- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1, effective from 1 January 2024)
- *Definition of Accounting Estimates* (Amendments to IAS 8, effective from 1 January 2023);
- *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2, effective from 1 January 2023)
- *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (Amendments to IAS 12, effective from 1 January 2023); and
- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16, effective from 1 January 2024)

Measurement convention

These financial statements are prepared on the historical cost basis as modified for certain financial assets which are recorded at fair value. Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in section 1q).

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 Group's financial forecasts to 31 December 2024.

During 2021 the Group took out a £253.0m loan from Skipton Building Society, its ultimate parent undertaking, repayable over 20 years, in order to fund the acquisition of Countrywide plc ("Countrywide"), settle the existing debt within Countrywide and enable investment and working capital for the Group. The Group has already repaid a significant portion of this loan, and the outstanding liability at the year end is £124.5m (2021: £128.2m). There are no covenants attached to the loan.

The Group is also funded by its operating profits and the cash thereby generated. For the year ended 31 December 2022 the Group reported a net profit before tax of £67.5m (2021: £111.3m) and at 31 December 2022 had a cash balance of £107.0m (2021: £119.1m), after paying dividends totaling £35.0m (2021: £60.0m) to its shareholder. At the date of signing these accounts, the Group continues to hold a cash balance of £135.4m (2021: £97.7m).

The Directors have also performed extensive stress testing to model potential market shocks, and the related impact on business volumes, which include mitigating actions including reducing headcount, capital and other discretionary spend. 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 political and economic circumstances.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

a) Basis of accounting (continued)

Going concern (continued)

The key assumptions used in this severe stress scenario are as follows:
- UK housing market transactions fall to the levels seen in the 2008 financial crisis, the lowest on record, a decline of over 30% on the base scenario. This would have a proportionate impact on most revenue streams as volumes decline.
- House price deflation of 30%.
- 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 Group would be able to withstand the financial impact. The Group's financial strength means that it is well positioned to withstand such a downturn.

A reverse stress test has also been performed, which required a significantly deeper and prolonged downturn for the Group to exceed available funds, which the Directors consider to be remote. Were this unlikely situation to occur then there are further actions available and within the control of management to reduce costs and manage liquidity.

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.

Put options

As part of the Group's acquisition strategy, there are a number of subsidiaries where the Group owns less than 100% of the share capital where there exists options for Non-controlling shareholders to sell their shares to the Company at some future date. In line with IAS 32 *Financial Instruments: Disclosure and Presentation and common accounting practice*, the Group's accounting policy for these transactions is to recognise the present value of Non-controlling shareholders' options as a financial obligation, along with the recognition of a further increase in the cost of investment. Under this accounting policy the Group consolidates 100% of the results of such subsidiaries to reflect the 100% ownership implicit in the recording of the future purchase of the Non-controlling interests' remaining shareholdings.

b) Basis of consolidation

The Group's annual financial statements consolidate the financial statements of the Company and all its subsidiary undertakings and include the Group's share of the results and post-acquisition reserves of its subsidiary undertakings. All Group undertakings prepare their financial statements to 31 December annually.

Business combinations

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of during the period are included in the Group Income Statement from the date of acquisition or up to the date of disposal.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

In instances where the Group holds a small shareholding initially, an acquisition may be achieved in stages, a 'step acquisition'. On the date at which control is obtained, the fair value of the Group's existing interest in the entity is assessed against its carrying value, with the resulting gain or loss being recognised in the Income Statement. The results after control has been achieved are accounted for under the acquisition method of accounting.

Subsidiaries and joint ventures

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for any permanent diminution in value. Dividends received and receivable are credited to the Company's Income Statement to the extent they represent a realised profit for the Company.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

Subsidiaries and joint ventures (continued)

A joint venture is an undertaking in which the Group has a long term interest and over which it exercises joint control and has an interest in the net assets of the undertaking. Joint ventures are accounted for using the equity method and are initially recognised at cost. The Group's share of the profits of joint ventures is included in the Group Income Statement and its interest in the net assets is included in investments in the Group Statement of Financial Position. See note 13 for further details.

Non-Controlling Interest

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

c) Revenue recognition

Revenue, which excludes value added tax, represents the total invoiced sales of the Group and is recognised as follows:

- Estate Agency sales commissions, new homes, conveyancing, land sales and auctions 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.
- Commission earned from property lettings is recognised when the underlying service has been performed, including tenant introduction, rent collection or full property management. Invoices are usually payable immediately when the rent or fee is collected from the tenant. An element of Lettings income has been assessed as transferred over time, in line with the performance obligation in the contract. The amount recognised up front is based on the average standalone selling price.
- Revenue from mortgage procuration fees is recognised on completion of the mortgage transaction, which is when all contractual obligations have been fulfilled. An element of mortgage services income has been assessed as transferred over time, in line with the performance obligations in the contract.
- 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.
- Survey & Valuation revenue is recognised on the date that the survey or valuation report is completed, at which point all performance obligations are considered to have completed. Revenue and costs are recognised gross of sub-contracted panel fees.
- Asset management commission earned is accounted for on exchange of contracts and additional services are recognised upon completion of work, recognised on a cost basis within contract assets; both of which are at the point all performance obligations are considered to have completed.
- All other income is recognised in line with when contractual obligations have been met.
- Commissions earned on sales of commercial property are recognised at a point in time, upon the exchange of contracts for such sales.
- Revenue in respect of commercial consultancy services is recognised either: at a point in time when we have fully provided the service; or over a period of time as activity progresses, reflecting the Group's partial performance of its contractual obligations.

d) 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 less their estimated residual values over their estimated useful lives at the following rates:

Leasehold premises	-	Over the unexpired term of the lease in equal instalments
Freehold buildings	-	Lower of 50 years or estimated useful life of premises
Equipment, fixtures and fittings	-	3 to 10 years
Motor vehicles	-	25% of net book value

All depreciation is charged on a straight-line basis, except motor vehicles, where the reducing balance method is used. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

e) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings or businesses represents the excess of the fair value of consideration over the fair value of identifiable net assets and contingent liabilities acquired at the date of acquisition. A full assessment is performed to align the accounting policies and fair value all the assets and liabilities, including valuing the intangible assets such as brands, customer lists and sales pipelines. Goodwill is calculated after also taking into account the fair value of contingent liabilities of the acquiree. Acquisition related costs are expensed as incurred and included in other operating expenses.

Where the Group acquires a majority shareholding in a subsidiary, but grants the non-controlling interests an option to sell their shares to the Group at some future date, on acquisition the Group estimates the fair value of the total consideration payable in calculating the goodwill arising. In subsequent periods, for any put options written prior to the adoption of IFRS 3 (2008), any amendment to the Group's estimation of the fair value of the consideration remaining payable will result in a restatement in the goodwill. For any put options written after the adoption of IFRS 3 (2008), any amendments to the estimation of the fair value of the consideration payable are recorded in profit/loss. The put options in place and treatment of any changes in the value of the option are as follows as at 31 December 2022:

Company	Accounting for changes in the value of the put option
The Asset Management Group Limited (AMG)	Adjusted to goodwill
Gascoigne Halman Group Limited	Recorded in the income statement
RMS Estate Agents Limited	Recorded in the income statement

Negative goodwill arising on an acquisition is recognised directly in the Income Statement.

f) Intangible assets

Intangible assets include acquired customer contracts and relationships, brands, software development costs and purchased software that in the opinion of the directors meets 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:

Customer contracts and relationships	-	1 to 10 years
Computer software	-	3 to 5 years
Brand	-	Indefinite

Finite life 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.

g) Impairment

In accordance with IAS 36, *Impairment of Assets*, goodwill and intangible assets with an indefinite life are not amortised but are tested for impairment at each year end or when there is an indication of impairment. The recoverable amount is determined as the higher of its fair value less costs to sell and its value in use.

The Group applies discount rates based on its weighted average cost of capital, which is adjusted to take account of the market risks associated with each cash generating unit. Impairment is recognised where the present value of future cash flows of the subsidiary is less than its carrying value. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Any impairment loss in respect of goodwill is not reversed. On the sale of a subsidiary, the profit or loss on sale is calculated after charging or crediting the net book value of any related goodwill.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

h) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, and trade and other payables.

Trade and other receivables

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

The Group recognises an allowance for expected credit losses (ECLs). The Group takes a simplified approach and recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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.

Trade and other payables

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

Financial assets

Investments in equity securities held by the Company are measured at fair value through profit or loss. Any resultant gain or loss is recognised in the income statement in line with IFRS 9. Where the fair value cannot be reliably measured the investments are carried at cost less impairment.

Investments - Company

Investments in jointly controlled entities and subsidiaries are carried at cost less any impairment. The cost of investment arising on the acquisition of subsidiary undertakings or businesses comprises the consideration paid and the fair value of the put option obligation to acquire any non-controlling interest, when such an option exists. Subsequent re-estimates of the market value or the expected exercise date of the option are carried out by management. This results in an annual revaluation of the put option element of the cost of investment (see note 13). The Company regularly reviews its subsidiary investments for objective evidence of impairment.

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.

i) Employee benefits

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group has two defined benefit schemes, the Connells (2014) Group Pension Scheme and the Countrywide plc Pension Scheme, both of which are closed to future benefit accrual.

The Group's net obligation in respect of the Schemes is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) and any unrecognised past service costs are deducted. The discount rate is the yield at the reporting date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to, the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

An asset can be recognised as in the event of a plan wind-up, the pension scheme rules provide the Group with an unconditional right to a refund of surplus assets assuming a full settlement of plan liabilities. In the ordinary course of business, the Trustees have no rights to wind-up, or change, the benefits due to the members of the scheme. As a result, any net surplus in the UK defined benefit scheme is recognised in full.

Net interest is calculated by applying the discount rate to the net defined benefit asset/liability. Contributions are transferred to the Trustee on a regular basis to secure the benefits provided under the rules of the Schemes. The Group recognises all actuarial gains and losses directly into equity through the Statement of Comprehensive Income in the period they occur.

Defined contribution plans

The Group also operates a number of defined contribution pension plans. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions are charged to the Income Statement as they become payable, in accordance with the rules of the various schemes.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

i) Employee Benefits (continued)

Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

j) Leases

The Group's lease commitments relate mainly to properties, office equipment 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 Group assesses at contract inception whether a contract is, or contains, a lease. The Group 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 Group 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 Group 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 Group 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.

k) Provisions for liabilities and charges

A provision is recognised in the Statement of Financial Position when the Group 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 and the amount can be reliably measured. 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.

l) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

l) Taxation (continued)

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.

m) Net financing costs

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

n) Dividend income

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

o) Joint arrangements

All of the group's joint arrangements are structured through separate vehicles. The group has considered in each arrangement whether there are contractual arrangements or other facts and circumstances that indicate the group has rights to the underlying assets and obligations for the liabilities of the joint arrangement. There are no contractual terms or other facts and circumstances that indicate this to be the case for each joint arrangement. As such, each joint arrangement has been treated as a joint venture and has been equity accounted.

p) 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.

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

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The Group also has to make judgements in applying its accounting policies which affect the amounts recognised in the financial statements. 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 key estimates, assumptions and judgements are set out below:

Retirement benefit obligations

The Group operates two defined benefit schemes (closed to new members) providing pensions based on final pensionable pay. The contributions are determined by qualified actuaries based on triennial valuations using the projected unit credit method.

The Connells (2014) Group Pension Scheme is accounted for within Connells Limited. The Countrywide plc Pension Scheme was consolidated into the Connells Group on acquisition of Countrywide Plc in March 2021 and is accounted for within Countrywide Group Limited.

These defined benefit pension schemes expose the Group to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. In conjunction with its actuaries the Group makes key financial assumptions which are used in the actuarial valuation of the defined pension benefit obligation and, therefore, changes to these assumptions have an impact on the defined benefit pension obligation in the Statement of Financial Position and amounts reported in the Income Statement. These assumptions include inflation and discount rates, life expectancy, commutation allowances and the rate of salary growth; see note 23 for further details on these assumptions.

A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to Scheme liabilities. This would impact the Statement of Financial Position adversely and may give rise to increased charges in future years' Income Statements. This effect would be partially offset by an increase in the value of the Scheme's bond holdings and caps on inflationary increases also exist to protect the scheme against high levels of inflation.

Put option obligation

The fair value of both the put option obligation and the associated goodwill recognised is dependent on the following assumptions: the market value growth of the obligation and the discount rate used at the reporting date. It is assumed that the holders will exercise their options at the earliest opportunity. These assumptions are reviewed on a regular basis by senior management.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

q) Critical accounting estimates, and judgements in applying accounting policies (continued)

Approximate sensitivities of the principal assumptions are set out for both schemes in the tables below, showing the increase or reduction in the pension obligation. Each sensitivity considers one change in isolation.

Assumption	Change in assumption	2022	2021
Connells (2014) Group Pension Scheme			
Discount Rate	Decrease of 0.25% p.a.	Increase by 3.2%	Increase by 4.3%
Rate of inflation	Increase 0.25% p.a.	Increase by 1.4%	Increase by 2.1%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 2.7%	Increase by 3.8%
Countrywide Plc Pension Scheme			
Discount Rate	Decrease of 0.25% p.a.	Increase by 2.5%	Increase by 3.1%
Rate of inflation	Increase 0.25% p.a.	Increase by 0.2%	Increase by 0.2%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 6.4%	Increase by 6.5%

For the Connells (2014) Group Pension Scheme; the average duration of the defined benefit obligation at the period ending 31 December 2022 was 17 years (2021: 18 years).

For the Countrywide Plc Pension Scheme; the average duration of the defined benefit obligation at the period ending 31 December 2022 was 11 years (2021: 12 years).

Impairment of investments and goodwill

In determining whether an impairment loss should be recognised in the Income Statement, management compare the future cash flows of each subsidiary against its carrying value. The key assumptions for the value in use calculations are those regarding the cash flows, discount rates and growth rates. The Group prepares cash flow forecasts on the assumption that the subsidiaries are held for long-term investment. The cash flows are derived from the most recent financial budgets for the next five years, which take into account the risks inherent in the businesses. For all CGU's the cash flows are extrapolated for subsequent years based on long-term growth rate of 2.5% (2021: 2.5%). The Group estimates discount rates based on the current cost of capital adjusted for the risks inherent in its subsidiaries. The pre-tax discount rate used in 2022 was 17.63% (2021: 13.59%). Refer to note 11 for sensitivities.

Provisions

Provisions are 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 Group. Where a formal letter of claim has been received a provision is made on a case by case basis, taking into account the strength of the Group'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.

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.

The dilapidation 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 Group no longer occupies the property. The provision represents the rent to the end of the lease, less any rental income from subletting the properties. The provision for the costs of closed branches is expected to reverse over the remaining life of the leases, or period to the anticipated date of disposal, if sooner

Acquisitions

Key judgements are required in respect of acquisitions by the Group, in particular in valuing the intangible assets. These judgements are outlined further in note 24.

IFRS 16

The changes to critical estimates and assumptions used by the Group 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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

q) Critical accounting estimates, and judgements in applying accounting policies (continued)

Many of the Group's leases, particular property leases, contain options for the Group to extend and / or terminate the lease term. The Group 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 Group 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

Profit before tax is stated after charging / (crediting) the following:	Notes	Group Year ended 2022 £000	Group Year ended 2021 £000
Depreciation of property, plant and equipment	10	8,420	8,562
Profit on disposal of property, plant and equipment		(322)	(445)
Amortisation and impairment of intangibles	11	25,286	59,729
Impairment losses on trade receivables		969	1,048
Short term lease payments charged to operating expenses		13	501
Business rates relief		-	(4,828)
Auditor's remuneration and expenses			
Audit of these financial statements – Group		1,631	1,417
Audit of these financial statements – Company		545	637

3. Revenue

All revenue in the Group 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 Group in the UK.

2022	Products and services transferred at a point in time £000	Products and services transferred over time £000	Total 2022 £000
Commissions earned on property sales	329,127	-	329,127
Commissions earned on property lettings	97,739	113,099	210,838
Income from sale of financial services products	152,110	19,340	171,450
Survey and valuation income	135,417	-	135,417
Conveyancing income	60,203	-	60,203
Commercial income	43,925	43,427	87,352
Other income and commissions	22,077	4,689	26,766
	840,598	**180,555**	**1,021,153**

2021	Products and services transferred at a point in time £000	Products and services transferred over time £000	Total 2021 £000
Commissions earned on property sales	360,629	125	360,754
Commissions earned on property lettings	183,009	-	183,009
Income from sale of financial services products	152,179	13,029	165,208
Survey and valuation income	132,004	-	132,004
Conveyancing income	65,312	-	65,312
Commercial income	44,420	34,900	79,320
Other income and commissions	13,323	530	13,853
	950,876	**48,584**	**999,460**

An element of commissions earned on property lettings has been assessed as transferred over time, in line with the performance obligation in the contract.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4. Finance income

	Group Year ended 2022 £000	Group Year ended 2021 £000
Interest on bank deposits	1,774	258
Interest receivable from Group undertakings	1,244	136
Other interest receivable	84	-
	3,102	**394**

5. Finance costs

	Group Year ended 2022 £000	Group Year ended 2021 £000
Net interest payable on pension liabilities (see note 23)	207	491
Movement on put option liability interest	38	81
Interest on lease liabilities	1,658	1,473
Interest payable to Parent undertaking	5,242	5,056
Other Interest payable	129	-
	7,274	**7,101**

6. Other operating income

	Group Year ended 2022 £000	Group Year ended 2021 £000
Rents receivable under property leases	761	716
Profit on sale of property, plant and equipment	322	445
Fair value changes in financial instruments held at FVTPL (notes14 and 18)	11,769	1,916
	12,852	**3,077**

7. Staff numbers and costs

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

	Group 2022 No.	Group 2021 No.
Directors	9	8
Other	15,219	13,726
	15,228	**13,734**

The aggregate payroll costs of these persons was as follows:

	£000	£000
Wages and salaries	566,237	525,788
Social security costs	63,225	56,877
Other pension costs	18,059	15,249
	647,521	**597,914**

Directors' emoluments	Group Year ended 2022 £000	Group Year ended 2021 £000
Directors' emoluments	5,551	8,719
Company contributions to defined contribution pension schemes	9	-
	5,560	**8,719**

Two of the Directors are remunerated by another Group undertaking (2021: two). During the year £66,000 (2021: £63,000) was charged to the Group for their services.

The aggregate of emoluments of the highest paid Director was £1,771,687 (2021: £3,144,956). There were no contributions to defined contribution pension schemes (2021: £nil) included within this total.
There are not considered to be further key management personnel other than the Directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Tax expense

	Group Year ended 2022 £000	Group Year ended 2021 £000
a) Analysis of expense in the year at 19% (2021: 19%)		
Current tax expense		
Current tax at 19% (2021: 19%)	10,114	18,429
Adjustment in respect of prior years	(1,915)	(395)
Total current tax	**8,199**	**18,034**
Deferred tax (income) / expense		
Origination and reversal of temporary differences	2,253	(413)
Adjustment in respect of prior years	2,170	(285)
Effect of changes in tax rates	405	(840)
Total deferred tax (see note 15)	**4,828**	**(1,538)**
Tax expense	**13,027**	**16,496**

b) Factors affecting current tax expense in the year

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

	Group Year Ended *2022* £000	Group Year Ended *2021* £000
Profit before tax	67,504	111,324
Tax on profit at UK standard rate of 19% (2021: 19%)	12,826	21,152
Effects of:		
Non-taxable income from joint ventures	(268)	(235)
Expenses not deductible for tax purposes	610	1,808
Adjustment to tax expense in respect of prior years	255	(680)
Income not taxable	(156)	(5,645)
Super deduction relief	(463)	(316)
Change in tax rates	405	(840)
Higher tax rates on overseas earnings	-	(412)
Tax assets recognised on losses	(123)	(160)
Reversal of deferred tax asset previously recognised	-	1,625
Other	(59)	199
	-	-
Tax expense recognised in Income Statement	**13,027**	**16,496**

c) Income tax recognised in Other Comprehensive Income	Group Year ended 2022 £000	Group Year ended 2021 £000
Deferred tax debit/ (credit)in respect of retirement benefit obligations	702	2,356
Current tax debit/ (credit) in respect of retirement benefit obligations	(1,804)	(1,445)
Tax expense/ (income) recognised in Other Comprehensive Income	**(1,102)**	**911**

9. Dividends

	Year ended 2022 £000	Year ended 2021 £000
Amounts recognised as distributions to equity holders in the period:		
Dividends for the year paid on 'A' shares	**35,000**	**60,000**

The 'A' dividend per share totalled £3.38 (2021: £5.80). No dividends (2021: nil) were paid to the holders of 'D', 'E' or 'F' ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Property, plant and equipment

Group

	Land and buildings £000	Equipment fixtures and fittings £000	Motor vehicles £000	Group total £000
Cost				
At 1 January 2022	45,886	42,545	14,633	103,064
Additions	4,139	4,117	174	8,430
Disposals	(26)	(297)	(2,114)	(2,437)
At 31 December 2022	**49,999**	**46,365**	**12,693**	**109,057**
Accumulated depreciation and impairment				
At 1 January 2022	28,880	31,892	9,463	70,235
Depreciation charge for the year	2,401	4,752	1,267	8,420
Disposals	(24)	(300)	(1,777)	(2,101)
At 31 December 2022	**31,257**	**36,344**	**8,953**	**76,554**
Carrying amounts				
At 1 January 2022	17,006	10,653	5,170	32,829
At 31 December 2022	**18,742**	**10,021**	**3,740**	**32,503**

Company

	Land and buildings £000	Equipment fixtures and fittings £000	Motor Vehicles £000	Company total £000
Cost				
At 1 January 2022	4,311	7,084	21	11,416
Additions	141	1,688	30	1,859
Disposals	-	(32)	-	(32)
At 31 December 2022	4,452	8,740	51	13,243
Accumulated depreciation and impairment				
At 1 January 2022	2,111	2,921	-	5,032
Depreciation charge for the year	278	1,718	12	2,008
Disposals	-	(1)	-	(1)
At 31 December 2022	2,389	4,638	12	7,039
Carrying amounts				
At 1 January 2022	2,200	4,163	21	6,384
At 31 December 2022	**2,063**	**4,102**	**39**	**6,204**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Property, plant and equipment (continued)

Group

	Land and buildings £000	Equipment fixtures and fittings £000	Motor vehicles £000	Group total £000
Cost				
At 1 January 2021	43,876	34,794	15,764	94,434
Additions	1,152	4,905	1,484	7,541
Recognised on acquisition of subsidiary undertakings	1,256	3,185	-	4,441
Disposals	(398)	(339)	(2,615)	(3,352)
At 31 December 2021	**45,886**	**42,545**	**14,633**	**103,064**
Accumulated depreciation and impairment				
At 1 January 2021	26,175	28,181	9,905	64,261
Depreciation charge for the year	2,836	4,037	1,689	8,562
Disposals	(131)	(326)	(2,131)	(2,588)
At 31 December 2021	**28,880**	**31,892**	**9,463**	**70,235**
Carrying amounts				
At 1 January 2021	17,701	6,613	5,859	30,173
At 31 December 2021	**17,006**	**10,653**	**5,170**	**32,829**

Company

	Land and buildings £000	Equipment fixtures and fittings £000	Motor Vehicles £000	Company total £000
Cost				
At 1 January 2021	4,410	5,671	-	10,081
Additions	170	1,413	21	1,604
Disposals	(269)	-	-	(269)
At 31 December 2021	**4,311**	**7,084**	**21**	**11,416**
Accumulated depreciation and impairment				
At 1 January 2021	1,856	1,271	-	3,127
Depreciation charge for the year	323	1,664	-	1,987
Disposals	(67)	(15)	-	(82)
At 31 December 2021	**2,112**	**2,920**	**-**	**5,032**
Carrying amounts				
At 1 January 2021	2,554	4,400	-	6,954
At 31 December 2021	**2,199**	**4,164**	**21**	**6,384**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Intangible assets

Group

	Goodwill £000	Brands £000	Computer software £000	Customer contracts & relationships £000	Total £000
Cost					
At 1 January 2022	176,469	61,239	20,274	132,858	390,840
Additions	351	-	4,353	830	5,534
Put option reassessment	(1,629)	-	-	-	(1,629)
Disposals	-	-	(994)	-	(994)
At 31 December 2022	**175,191**	**61,239**	**23,633**	**133,688**	**393,751**
Amortisation and impairment losses					
At 1 January 2022	6,705	-	13,459	80,167	100,331
Amortisation charge for the year	-	-	2,421	22,098	24,519
Disposals	-	-	(135)	-	(135)
Impairment	767	-	-	-	767
At 31 December 2022	**7,472**	**-**	**15,745**	**102,265**	**125,482**
Carrying amounts					
At 1 January 2022	169,764	61,239	6,815	52,691	290,509
At 31 December 2022	**167,719**	**61,239**	**7,888**	**31,423**	**268,269**

	Goodwill £000	Brands £000	Computer software £000	Customer contracts & relationships £000	Total £000
Cost					
At 1 January 2021	93,509	6,499	12,859	30,268	143,135
Recognised on acquisition of subsidiary undertakings	82,562	54,740	3,465	104,394	245,161
		-			
Additions	-	-	4,055	-	4,055
Put option reassessment	398	-	-	-	398
Disposals			(105)	(1,804)	(1,909)
At 31 December 2021	**176,469**	**61,239**	**20,274**	**132,858**	**390,840**
Amortisation and impairment losses					
At 1 January 2021	6,705	-	8,319	27,487	42,511
Amortisation charge for the year	-	-	5,245	54,484	59,729
Disposals	-	-	(105)	(1,804)	(1,909)
At 31 December 2021	**6,705**	**-**	**13,459**	**80,167**	**100,331**
Carrying amounts					
At 1 January 2021	86,804	6,499	4,540	2,781	100,624
At 31 December 2021	**169,764**	**61,239**	**6,815**	**52,691**	**290,509**

The brands relate to Gascoigne Halman, RMS Estate Agents, Peter Alan, Countrywide Estate Agents and Lambert Smith Hampton (see below). In the Directors' view, these brands all have a long and successful history and have shown their ability to adapt to changing market trends. Further, the Group will continue to invest in the brands in order to protect their value. As such, the brands have been judged to have indefinite lives and are not amortised but are subject to annual impairment tests.

All amortisation and impairment charges in the year and the prior year have been charged through operating expenses.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Intangible assets (continued)

Company

	Computer software Total £000
Cost	
At 1 January 2022	5,644
Additions	641
Disposals	(994)
At 31 December 2022	**5,291**
Amortisation and impairment losses	
At 1 January 2022	1,865
Amortisation charge for the year	1,120
Disposals	(135)
At 31 December 2022	**2,850**
Carrying amounts	
At 1 January 2022	3,779
At 31 December 2022	**2,441**

	Computer software Total £000
Cost	
At 1 January 2021	3,955
Additions	1,689
At 31 December 2021	**5,644**
Amortisation and impairment losses	
At 1 January 2021	235
Amortisation charge for the year	1,630
At 31 December 2021	**1,865**
Carrying amounts	
At 1 January 2021	3,720
At 31 December 2021	**3,779**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Intangible assets (continued)

Goodwill and brands acquired in a business combination are allocated, at acquisition, to the individual cash generating units (CGUs) that are expected to benefit from that business combination. The carrying value of goodwill and brands is allocated as follows:

Group

Cash Generating Unit	Goodwill Carrying value 2022 £000	Brands Carrying value 2022 £000	Goodwill Carrying value 2021 £000	Brands Carrying value 2021 £000
Sequence (UK) Limited	41,038	-	40,775	-
Connells Residential	6,494	-	6,494	-
Sharman Quinney Holdings Limited	5,959	-	6,202	-
Peter Alan Limited	5,770	2,317	5,770	2,317
Gascoigne Halman Group Limited	6,239	2,982	6,239	2,982
RMS Estate Agents Limited	325	1,200	325	1,200
The Asset Management Group Limited	6,391	-	8,456	-
The New Homes Group Limited	13,182	-	13,182	-
Connells Survey & Valuation	450	-	450	-
Countrywide Estate Agents	27,375	42,641	27,375	42,641
Countrywide Surveyors Limited	31,329	-	31,329	-
Lambert Smith Hampton Group Limited	14,559	12,099	14,559	12,099
Mortgage Intelligence Limited	5,386	-	5,386	-
The Buy to Let Business Limited	942	-	942	-
JAM Advisors Limited	2,280	-	2,280	-
	167,719	**61,239**	**169,764**	**61,239**

During the year the put options relating to Sharman Quinney Holdings Limited and The Asset Management Group Limited were reassessed based on current and expected trading expectations, resulting in a decrease in goodwill by £331k and £1,298k respectively.

In December 2022 Sequence (UK) Limited completed an acquisition which increased the goodwill held by £263k.

During the year the goodwill relating to The Asset Management Group Limited was impaired by £767k based on current and expected performance.

The recoverable amounts of goodwill and brands are determined from value-in-use calculations for the CGUs listed above.

Key assumptions

The value-in-use calculation for each of the above CGUs 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 Group prepares cash-flow forecasts on the assumption that the subsidiaries are held for long-term investment. The cash flows for the Estate Agency and Survey and Valuation businesses are derived from the most recent financial budgets for the next five years, which take into account the risks inherent in the businesses.

The growth rate reflects how management believe the business will perform over the long term, and extrapolate cash flows for subsequent years, generally based on a long-term growth rate of 2.5% (2021: 2.5%).

Discount rates reflect management's estimate of the post-tax Weighted Average Cost of Capital (WACC) of the Group and this is the benchmark used by management to assess operating performance and to evaluate future acquisition proposals. The pre-tax discount rate was 17.63% (2021: 13.59%)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Intangible assets (continued)

Sensitivities

Management has undertaken sensitivity analyses to determine the effect of changes in assumptions on the 2022 impairment reviews. The key assumptions driving the carrying values are the discount rate applied to the cash flow forecasts and the growth rates within the cash flow forecast for both the next five years and the long term.

Management have considered the CGUs under various scenarios and concluded that there is significant headroom over the majority of the CGUs. The CGU with the least headroom was Asset Management Group Limited.

For Asset Management Group, to test the sensitivity the discount rate was increased by 1%, leading to an additional impairment of £1.0m. As an additional test to the sensitivity the long term growth rate was decreased by 2.5%, leading to an additional impairment of £0.6m and a 5% decrease would lead to an additional impairment of £0.9m .For the 5 year forecast cash flows were reduced by 5% which would give rise to an additional impairment of £0.5m, however when reduced by 10% an additional impairment of £1.1m would arise.

Across the remaining CGUs, it would require a significant decline in performance to trigger an impairment. To test the sensitivity the discount rate was increased by 1% to 18.63%, resulting in an impairment of £0.3m. The sensitivity to the long term growth rate was also tested, decreases of 2.5% year on year would result in an impairment of £0.4m.

12. Right-of-use assets

Group

	Land and buildings £000	Equipment £000	Motor vehicles £000	Group total £000
Cost				
At 1 January 2022	118,954	5,750	1,650	126,354
Additions	22,079	887	10,199	33,165
Disposals	(29,128)	(180)	(196)	(29,504)
Modifications	13,247	-	-	13,247
At 31 December 2022	**125,152**	**6,457**	**11,653**	**143,262**
Accumulated depreciation and impairment				
At 1 January 2022	43,232	1,982	979	46,193
Depreciation charge for the year	28,989	1,788	929	31,706
Impairment*	631	-	-	631
Disposals	(27,200)	(167)	(169)	(27,536)
At 31 December 2022	**45,652**	**3,603**	**1,739**	**50,994**
Carrying amounts				
At 1 January 2022	75,722	3,768	671	80,161
At 31 December 2022	**79,500**	**2,854**	**9,914**	**92,268**

*During the year ended 31st December 2022, £0.7m (2021:£nil) of impairment losses previously incurred in relation to Estate Agency branches were reversed, such reversals have been included within the Land and Buildings Impairment total above.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Right-of-use assets (continued)

Company

	Land and buildings £000	Equipment £000	Motor vehicles £000	Company total £000
Cost				
At 1 January 2022	-	207	-	207
Additions	5	2	10,089	10,096
At 31 December 2022	**5**	**209**	**10,089**	**10,303**
Accumulated depreciation and impairment				
At 1 January 2022	-	41	-	41
Depreciation charge for the year	-	71	632	703
At 31 December 2022	**-**	**112**	**632**	**744**
Carrying amounts				
At 1 January 2022	-	166	-	166
At 31 December 2022	**5**	**97**	**9,457**	**9,559**

Group

	Land and buildings £000	Equipment £000	Motor vehicles £000	Group total £000
Cost				
At 1 January 2021	62,794	5,393	1,229	69,416
Additions	7,991	273	421	8,685
Recognised on acquisition of subsidiary undertakings	46,086	96	403	46,585
Disposals	(5,712)	-	(403)	(6,115)
Modifications	7,795	(12)	-	7,783
At 31 December 2021	**118,954**	**5,750**	**1,650**	**126,354**
Accumulated depreciation and impairment				
At 1 January 2021	24,113	809	606	25,528
Depreciation charge for the year	24,065	1,173	758	25,996
Impairment	416	-	-	416
Disposals	(5,364)	-	(385)	(5,749)
Modifications	2	-	-	2
At 31 December 2021	**43,232**	**1,982**	**979**	**46,193**
Carrying amounts				
At 1 January 2021	38,681	4,584	623	43,888
At 31 December 2021	**75,722**	**3,768**	**671**	**80,161**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Right-of-use assets (continued)

Company

	Land and buildings £000	Equipment £000	Motor vehicles £000	Company total £000
Cost				
At 1 January 2021	-	-	-	-
Additions	-	207	-	207
At 31 December 2021	**-**	**207**	**-**	**207**
Accumulated depreciation and impairment				
At 1 January 2021	-	-	-	-
Depreciation charge for the year	-	41	-	41
At 31 December 2021	**-**	**41**	**-**	**41**
Carrying amounts				
At 1 January 2021	-	-	-	-
At 31 December 2021	**-**	**166**	**-**	**166**

13. Investments

At 31 December 2022, the Company owns equity share capital in the following joint venture, which is incorporated and trades in the UK, as follows:

Name of joint venture	Nature of business	Proportion of ordinary shares held 2022	Proportion of ordinary shares held 2021
Cybele Solutions Holdings Limited	Conveyancing services	50.0%	50.0%

During the year ended 31st December 2021, the Company's holdings in TM Group (UK) Limited and Vibrant Energy Matters Limited became subsidiaries via step acquisition. The Group subsequently disposed of its entire shareholding in TM Group (UK) Limited during the year ended 31st December 2021.

There are no significant restrictions over the joint venture's ability to pay cash dividends.

Joint ventures are recognised within these financial statements using the equity accounting method.

Group	Group 2022 £000	Group 2021 £000
Joint Ventures		
Balance at 1 January	9,476	13,264
Share of joint venture profits after tax	1,410	1,237
Dividends received	(750)	(2,139)
Transferred to subsidiaries	-	(2,886)
At 31 December	**10,136**	**9,476**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments (continued)

Investment in joint ventures	**Group 2022 £000**	**Group 2021 £000**
Share of joint venture's		
Non-current assets	9,410	8,907
Current assets	3,082	2,617
Current liabilities	(2,356)	(2,048)
Net assets at 31 December	**10,136**	**9,476**
Share of joint venture's		
Income	11,719	12,747
Admin expenses	(9,052)	(10,496)
Depreciation and amortisation	(912)	(724)
Profit before tax	**1,755**	**1,527**
Taxation	(345)	(290)
Profit and total comprehensive income	**1,410**	**1,237**

The following table details financial information for the joint venture held at 31 December 2022, together with the Group's share.

Cybele Solutions Holdings Limited	**2022 £000**	**2021 £000**
Non-current assets	8,073	7,066
Current assets	6,165	5,233
Current liabilities	(4,225)	(4,095)
Non-current liabilities	(489)	-
Net assets at 31 December	**9,524**	**8,204**
Group's share of net assets	**4,762**	**4,102**
Investment	5,374	5,374
Carrying amount of interest in joint ventures	**10,136**	**9,476**
Income	23,440	17,807
Admin expenses	(18,105)	(14,458)
Depreciation and amortisation	(1,823)	(1,346)
Interest income	-	-
Profit before tax	**3,512**	**2,003**
Taxation	(691)	(462)
Profit and total comprehensive income	**2,821**	**1,541**
Group's share of profit and total comprehensive income	**1,410**	**770**

The following tables detail financial information for those former joint ventures, together with the Group's share. The share of profit and total comprehensive income is shown up to 8 March 2021, the date at which they became subsidiaries.

TM Group (UK) Limited	**2022 £000**	**2021 £000**
Income	-	9,266
Admin expenses	-	(7,803)
Depreciation and amortisation	-	(135)
Interest income	-	-
Profit before tax	**-**	**1,328**
Taxation	-	(129)
Profit and total comprehensive income	**-**	**1,199**
Group's share of profit and total comprehensive income	**-**	**399**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments (continued)

Vibrant Energy Matters Limited	2022 £000	2021 £000
Income	-	1,625
Admin expenses	-	(1,429)
Depreciation and amortisation	-	(14)
Profit before tax	**-**	**182**
Taxation	-	(35)
Profit and total comprehensive income	**-**	**147**
Group's share of profit and total comprehensive income	**-**	**68**

The Company's investments comprise the cost of the whole of the issued and fully paid ordinary share capital substantially owned directly or indirectly of its subsidiary undertakings together with its investments in joint ventures, all of which are incorporated in Great Britain, and whose operations are conducted in the United Kingdom.

Company	Shares in group undertakings £000	Interest in joint ventures and associates £000	Total £000
Cost			
At 1 January 2022	255,093	7,910	263,003
Additions	-	-	-
Put option reassessment	(1,629)	-	(1,629)
At 31 December 2022	**253,464**	**7,910**	**261,374**
Amortisation and impairment losses			
At 1 January 2022	4,860	1,000	5,860
Impairment	-	-	-
Transferred on step acquisition	-	-	-
At 31 December 2022	**4,860**	**1,000**	**5,860**
Carrying amounts			
At 1 January 2022	250,233	6,910	257,143
At 31 December 2022	**248,604**	**6,910**	**255,514**
Cost			
At 1 January 2021	122,339	12,772	135,111
Additions	132,356	-	132,356
Transferred on step acquisition	4,862	(4,862)	-
Disposals	(4,862)	-	(4,862)
Put option reassessment	398	-	398
At 31 December 2021	**255,093**	**7,910**	**263,003**
Amortisation and impairment losses			
At 1 January 2021	4,860	1,456	6,316
Impairment	-	-	-
Transferred on step acquisition	-	(456)	(456)
At 1 31 December 2021	**4,860**	**1,000**	**5,860**
Carrying amounts			
At 1 January 2021	117,479	11,316	128,795
At 31 December 2021	**250,233**	**6,910**	**257,143**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments (continued)

At 31 December 2022, the Company owns equity share capital in the following trading subsidiary undertakings, which are all incorporated in the UK:

Name of subsidiary undertaking	Principal nature of business	Proportion of ordinary shares held 2022	Proportion of ordinary shares held 2021
AMG North East Limited[b]	Asset management	100%[2]	100%[2]
AMG Projects Limited[b]	Maintenance of properties for resale	100%[2]	100%[2]
AgencyPro Limited[g]	Provision of regulatory training	100%[13]	100%[13]
Associated Employers Limited[h]	Recruitment Services	100%[14]	100%[14]
Capital Private Finance Limited[i]	Financial Services	100%[15]	100%[15]
Connells Residential[a]	Residential estate agency	100%	100%
Connells Survey & Valuation Limited[a]	Residential surveying and valuations	100%	100%
Conveyancing Direct Limited[d]	Licensed Conveyancer	100%	100%
Countrywide Estate Agents[g]	Estate Agency and Lettings	100%[16]	100%[16]
Countrywide Group Holdings Limited[g]	Holding company	100%[15]	100%[15]
Countrywide Group Limited[g]	Holding company	100%[15]	100%[15]
Countrywide Limited[g]	Holding company	100%	100%
Countrywide Principal Services Limited[l]	Financial Services	100%[16]	100%[16]
Countrywide Property Lawyers Limited[l]	Conveyancing Services	100%[16]	100%[16]
Countrywide Surveyors Limited[g]	Surveying Services	100%[16]	100%[16]
Gascoigne Halman Group Limited[a]	Intermediate holding company	92.75%	82.75%
Gascoigne Halman Limited[c]	Residential estate agency	100%[12]	100%[12]
Gascoigne Halman Private Finance Limited[c]	Advising on and arranging financial products	100%[12]	100%[12]
JAM Advisors Limited[a]	Financial Services	100%[3]	100%[3]
Just Wills Limited[a]	Will writing and associated services	100%[11]	100%[11]
Just Wills Group Limited[a]	Will writing and associated services	100%[9]	100%[9]
Just Wills Holdings Limited[a]	Will writing and associated services	100%	100%
Keysafe Tenant Vetting Limited[a]	Tenant referencing	100%	100%
Lambert Smith Hampton (NIreland) Limited[h]	Surveying Services	100%[18]	100%[18]
Lambert Smith Hampton Group Limited[h]	Property consultancy	100%[19]	100%[19]
Lambert Smith Hampton Investment Management Limited[h]	Investment Brokerage	100%[18]	100%[18]
Lambert Smith Hampton Limited[h]	Holding company	100%[20]	100%[20]
Life and Easy Limited[l]	Financial Services	100%[21]	100%[21]
Mortgage Intelligence Limited[l]	Financial Services	100%[20]	100%[20]
Mortgage Next Limited[l]	Financial Services	100%[21]	100%[21]
Mortgage Next Network Limited[l]	Financial Services	100%[22]	100%[22]
Pattison Lane Estate Agents Limited[a]	Residential estate agency	100%[1]	95%[1]
Peter Alan Limited[a]	Residential estate agency	100%	100%
Redstone Wills Limited[d]	Will writing and associated services	100%	100%
RMS Estate Agents Limited[a]	Residential estate agency	95%	95%
RMS Mortgage Services Limited[a]	Advising on and arranging financial products	100%[7]	100%[7]
Sequence (UK) Limited[a]	Residential estate agency	100%	100%
Sharman Quinney Holdings Limited[a]	Residential estate agency	100%	95%
Slater Hogg Mortgages Limited[i]	Financial Services	100%[16]	100%[16]
The Asset Management Group Limited[b]	Asset management	75%	75%
The Buy to Let Business Limited[i]	Financial Services	100%[23]	100%[23]
The Buy to Let Group Limited[i]	Financial Services	100%[20]	100%[20]
The New Homes Group Limited[a]	Agents for insurance and mortgage related products, new homes marketing and operating as an estate agency.	100%	100%
TitleAbsolute Limited[m]	Conveyancing Services	100%[20]	100%[20]
Vibrant Energy Matters Limited[f]	Property services including energy performance certificates	78.44%	78.44%
Zeus Financial Services Limited[a]	Advising on and arranging financial products	100%	100%

Connells Residential and Countrywide Estate Agents are unlimited Companies.

Put options exist over the non-controlling interests in The Asset Management Group Limited, Gascoigne Halman Group Limited, and RMS Estate Agents Limited. Put options were held in Sharman Quinney Holdings Limited until July 2022 where the remaining minority interest was purchased by Connells Limited.

A full list of subsidiary undertakings and their registered addresses at 31 December 2022 is included within the appendix. The appendix on pages 65 to 71 forms part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments (continued)

[1] Held indirectly through Sharman Quinney Holdings Limited
[2] Held indirectly through The Asset Management Group Limited
[3] Held indirectly through The New Homes Group Limited
[4] Held indirectly through Peter Alan Limited
[5] Held indirectly through Gascoigne Halman Group Limited
[6] Held indirectly through White Space Property Group Limited
[7] Held indirectly through RMS Estate Agents Limited
[8] Held indirectly through Sequence (UK) Limited
[9] Held indirectly through Just Wills Holdings Limited
[10] Held indirectly through Just Wills Limited
[11] Held indirectly through Just Wills Group Limited
[12] Held indirectly through Gascoigne Halman (Holdings) Limited
[13] Held indirectly through Servpro Limited
[14] Held indirectly through Lambert Smith Hampton Group Limited
[15] Held indirectly through Countrywide Limited
[16] Held indirectly through Countywide Group Holdings Limited
[17] Held indirectly through Countrywide Principal Services Limited
[18] Held indirectly through Lambert Smith Hampton Group Limited
[19] Held indirectly through Lambert Smith Hampton Limited
[20] Held indirectly through Countrywide Group Limited
[21] Held indirectly through Mortgage Intelligence Holdings Limited
[22] Held indirectly through Mortgage Next Limited
[23] Held indirectly through The Buy to Let Group Limited

<u>Registered Offices</u>
[a] Cumbria House, 16-20 Hockliffe Street, Leighton Buzzard, Bedfordshire, LU7 1GN
[b] 13-21 High street, Guildford, Surrey, GU1 3DG
[c] 42 Alderley Road, Wilmslow, Cheshire, SK9 1NY
[d] Windmill Road, St Leonards on Sea, East Sussex, TN38 9BY
[e] 4th floor, 115 George Street, Edinburgh, EH2 4JN
[f] 2 Foxes Lane, Oakdale Business Park, Blackwood, Gwent, NP12 4AB
[g] Greenwood House 1st Floor, 91-99 New London Road, Chelmsford, Essex, CM2 OPP
[h] 55 Wells Street, London, United Kingdom, W1T 3PT
[i] Countrywide House, 6 Caldecotte Lake Business Park, Caldecotte, Milton Keynes, MK7 8JT
[j] Lee House, 90 Great Bridgewater Street, Manchester, Lancashire, M1 5RR
[k] Suite 2a St David's Court, Union Street, Wolverhampton, United Kingdom, WV1 3JE
[l] Roddis House 4th Floor, 4-12 Old Christchurch Road, Bournemouth, Dorset, BH1 1LG
[m] Churchgate House 2nd Floor, 56 Oxford Street, Manchester, M1 6EU

The Company has guaranteed the liabilities of the following entities for the year ended 31 December 2022. They are therefore exempt from audit under the Companies Act (2006) section 479A.

Accord Properties Limited (Company number 02335813)
Aeromind Limited (Company number 03772726)
AgencyPro Limited (Company number: 08613297)
Anderson Estate Agents Limited (Company number: 02214601)
Associated Employers Limited (Company number: 02367086)
AMG North East Limited (Company number: 03326785)
AMG Projects Limited (Company number: 04330364)
Blundells Property Services Limited (Company number: 06446938)
Burchell Edwards (Midlands) Limited (Company number: 06725240)
Capital Private Finance Limited (Company number: 07552028)
Countrywide Limited (Company number: 08340090)
Countrywide Estate Agents (South) Limited (Company number: 02276358)
Countrywide Group Holdings Limited (Company number: 01837522)
CEA Holdings Limited (Company number: 02415173)
Dickinson Harrison Limited (Company number: 05206665)
Finders Keepers Limited (Company number: 01322165)
Fitz-Gibbon Limited (Company number: 04312518)
Gascoigne Halman Group Limited (Company number: 09796165)
Gascoigne Halman Private Finance Limited (Company number: 02274172)
Hall and Benson Limited (Company number: 08730244)
Hamptons Group Ltd (Company number: 03145691)
Hamptons Estates Limited (Company number: 02036215)
Holroyds Residential Limited (Company number: 09620942)
Home from Home Limited (Company number: 01952695)
Housemans Management Company Limited (Company number: 03144048)
Howuncea (Company number: 02025450)
IKON Consultancy Limited (Company number: 05176285)
JAM Advisors Limited (Company number: 06725710)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments (continued)

John D Wood & Co. Limited (Company number: 02058707)
Just Wills Limited (Company number: 02427464)
Just Wills Group Limited (Company number: 05186807)
Just Wills Holdings Limited (Company number: 07485279)
Kevin Henry Limited (Company number: 05758694)
Lambert Smith Hampton Limited (Company number: 02222001)
Lambert Smith Hampton (N Ireland) Limited (Company number: 08760710)
Lambert Smith Hampton Investment Management Limited (Company number: 11145793)
Life and Easy Limited (Company number: 05652516)
LS1 Limited (Company number: 04115403)
Michael Rhodes Property Management Limited (Company number: 05859949)
Mortgage Intelligence Holdings Limited (Company number: 06775606)
Mortgage Next Limited (Company number: 03175440)
Mortgage Next Network Limited (Company number: 04705100)
Pattison Lane Estate Agents Limited (Company number: 04730529)
Personal Homefinders Limited (Company number: 02179894)
Porter Glenny Limited (Company number: 03014041)
Preston Bennett Holdings Ltd (Company number: 02885561)
Redstone Wills Limited (Company number: 03673190)
Richard Dolton Limited (Company number: 04619595)
RMS Estate Agents Limited (Company number: 08756469)
RMS Mortgage Services Limited (Company number: 05605493)
RPT Management Services Limited (Company number: 00465446)
Russells Lettings Limited (Company number: 07189122)
Slater Hogg Mortgages Limited (Company number: 04206425)
Snape Lettings Limited (Company number: 03010322)
Spencers Surveyors Limited (Company number: 04515970)
Sprint Property Acquisitions Limited (Company number: 04769916)
Statehold Limited (Company number: 02509579)
Sutton Kersh Auctions & Sales Ltd (Company number: 08663692)
Sutton Kersh Holdings Limited (Company number: 08667102)
Thomson & Moulton Limited (Company number: 04578862)
Tingleys Lettings Limited (Company number: 06697122)
Title Absolute Limited (Company number: 03958105)
The Asset Management Group Limited (Company number: 03292378)
The Buy to Let Business Limited (Company number: 05695802)
The Buy to Let Group Limited (Company number: 09839405)
The Greene Corporation Limited (Company number: 02207896)
The London Residential Agency Limited (Company number: 02676967)
Town & County Residential Limited (Company number: 04577604)
Tucker Gardner Residential Limited (Company number: 05396854)
United Surveyors Limited (Company number: 03994506)
White Space Property Group Limited (Company number: 09237924)
Young Lettings Limited (Company number: 05553899)
Zeus Financial Services Limited (Company number: 11727362)

14. Financial assets	**Group 2022 £000**	**Company 2022 £000**	**Group 2021 £000**	**Company 2021 £000**
Equity Investments				
Non-Current Assets:				
Quoted shares carried at fair value	101	-	221	-
Financial instruments carried at fair value	5,341	5,341	12,554	12,554
	5,442	5,341	12,775	12,554
Current Assets:				
Quoted shares carried at fair value	-	-	-	-
Financial instruments carried at fair value	22,500	22,500	-	-
	22,500	22,500	-	-

Quoted shares carried at fair value

These comprise an equity investment in a quoted company. The shares were valued at £101k at 31 December 2022, based on the closing share price at that date (2021: £221k).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. Financial assets (continued)

Financial instruments carried at fair value

The Group's holdings of unlisted investments comprise minority shareholding investments or warrants to acquire shares in Global Property Ventures Limited, Hearthstone Investments Limited, IAM Property Limited, Twenty7Tec Group Limited, Viewber Limited, View My Chain Limited and ZPG Property Services Holdings Limited.

The Group holds certain put options as at 31 December 2022. For some of these put options, a conditional 'make whole' provision was triggered at the balance sheet date, giving rise to a contractual right to put the warrants back to the counterparty for a consideration of £22.5m. The make whole provision for these options was valued at zero in previous periods as the criteria had not been met and uncertainty remained as to whether all the criteria for them to be triggered would be met.

The remaining put options were valued at £2,593k (2021: £11,047k) based on an independent third-party valuation. These options also contain conditional contractual rights similar to those above which may be triggered at a future date and which have been assessed to hold £nil value as at 31 December 2022. All of the put options are classified as Financial Assets at fair value, with movements in fair value recognised in profit or loss.

The Group's interest in IAM Property Limited is currently valued at £1,613k (2021:£nil) following a review of the recent trading performance and calculation of fair value.

The remaining financial assets are held at fair value of £1,135k (2021: £1,507k), which is based on either cost of investment, latest trading results or other indication of fair value.

The movement in the value of financial assets in the year is shown below:

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Balance at 1 January	12,776	12,555	8,284	8,071
Recognised on acquisition of subsidiary undertakings	-	-	5,417	5,356
Additions	3,454	3,454	1,755	1,755
Fair value adjustments	11,732	11,832	5,495	5,457
Disposals	(20)	-	(8,175)	(8,084)
At 31 December	**27,942**	**27,841**	**12,776**	**12,555**

15. Deferred tax

Deferred tax balances are calculated on temporary differences under the liability method using an effective tax rate of 25% (2021: 25%) 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:

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Deferred tax asset at 1 January	14,796	6,875	11,099	9,172
Charged to the income statement				
Income Statement (debit)/ credit	(2,658)	(368)	1,253	(25)
Adjustments in respect of prior periods	(2,170)	1,138	285	(232)
Movement arising from the acquisition or disposal of a business	(129)	-	4,515	-
Charged to the statement of comprehensive income:				
Arising in respect of pension obligations	(702)	(1,414)	(2,356)	(2,040)
Deferred tax asset at 31 December	**9,137**	**6,231**	**14,796**	**6,875**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. Deferred tax (continued)

Deferred tax assets are attributable to the following items:

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Capital allowances	11,598	(142)	15,143	(198)
Intangible assets	(18,315)	(233)	(21,115)	(214)
Losses	4,259	-	12,760	-
Provision	3,319	1,451	3,251	1,558
Pension obligations	5,529	5,155	6,334	6,570
Gain deferred by roll over relief	(740)	-	(888)	-
Other	(961)	-	(689)	(841)
IFRS 16 Transition losses	4,448	-	-	-
Deferred tax asset at 31 December	**9,137**	**6,231**	**14,796**	**6,875**

The (charge)/ credit to the income statement is attributable to the following items:

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Capital allowances	(3,417)	56	2,421	(287)
Intangible assets	2,799	(20)	5,083	(214)
Losses	(8,501)	-	(4,530)	-
Provision	(35)	(107)	1,730	1,036
IFRS 16 transition losses	4,448	-	-	-
Other	(122)	841	(3,166)	(793)
Deferred tax (charged)/ credited to income for the year	**(4,828)**	**770**	**1,538**	**(258)**

The charge to other comprehensive income is attributable to the following items:

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Pension obligations	(702)	(1,414)	(2,356)	(2,040)
Deferred tax credited/ (charged) to other comprehensive income for the year	**(702)**	**(1,414)**	**(2,356)**	**(2,040)**

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. Included in other is a deferred tax provision for the difference in treatment of discount rates for IFRS 16 leases between the entity accounts which continue on the legacy rate adopted by the Countrywide Group for existing leases and the rate use by the Connells Group.

Unrecognised deferred tax relating to losses carried forward at 31 December 2022 comprises capital losses of £56,702k (2021: £56,769k) and other tax losses of £1,099k (2021:£1,707k).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16. Trade and other receivables

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Trade receivables	63,127	-	71,738	-
Amounts due from ultimate parent undertaking	629	-	646	-
Amounts due from subsidiary undertakings	-	40,795	-	42,146
Other receivables	5,905	1,635	10,215	2,224
Prepayments and accrued income	24,895	2,966	25,880	2,388
Contract assets	3,193	-	1,328	-
Bad debt provision	(3,654)	-	(4,154)	-
	94,095	45,396	105,653	46,758

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

Group	2022 £000 Gross	2022 £000 Impairment	2021 £000 Gross	2021 £000 Impairment
Not overdue	26,204	-	34,057	(693)
Overdue 0-30 days	24,718	-	26,985	(9)
Overdue 31-120 days	7,767	(248)	7,220	(862)
Overdue 120 days plus	4,438	(3,406)	3,476	(2,590)
	63,127	(3,654)	71,738	(4,154)

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

Group	2022 £000	2021 £000
At 1 January	(4,154)	(2,475)
Recognised on acquisition of subsidiary undertakings	-	(2,895)
Provisions made during the year	(566)	(346)
Receivables written off during the year	969	1,048
Provisions no longer required	97	514
At 31 December	(3,654)	(4,154)

The Group 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. The carrying value approximates to fair value.

17. Cash and cash equivalents

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Bank balances	64,051	3,297	53,557	6,827
Call deposits	42,900	42,900	65,500	65,500
	106,951	46,197	119,057	72,327

The call deposits represent cash on deposit with Skipton Building Society, the ultimate parent undertaking. The amounts are repayable on demand at the discretion of Connells Limited.

Bank balances include £3,952,000 (2021: £4,273,000) which are subject to restrictions on withdrawal and are therefore not available for general use by entities within the Group.

Companies within the Skipton Group have provided cross guarantees to certain banks in the event they enter an overdraft position. At 31 December bank overdrafts and loans subject to such guarantees were £nil (2021: £nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18. Trade and other payables

Due within one year	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Trade and other payables	23,681	8,235	28,856	2,077
Other taxes and social security	32,429	257	36,445	65
Amounts owed to ultimate parent undertaking	16,827	16,827	14,041	14,041
Amounts owed to subsidiary undertakings	-	58,344	-	53,445
Accruals and deferred income	68,114	3,095	81,385	4,700
Put option obligation	3,504	3,504	7,635	7,635
	144,555	90,262	168,362	81,963
Due after more than one year				
Trade and other payables	10,325	1,154	11,584	9,275
Amounts owed to ultimate parent undertaking	114,269	114,269	119,423	119,423
Amounts owed to credit institutions	-	-	1,000	-
Put option obligation	260	260	1,075	1,075
	124,854	115,683	133,082	129,773

Amounts owed to the ultimate parent undertaking by both the Group and Company include £125.4m (2021: £128.2m) relating to a 20 year unsecured loan expiring in 2041, repayable in equal semi-annual instalments, but which can be repaid earlier in whole or in part at the Company's discretion without penalty. The interest rate payable on the loan is SONIA + 2.86%.

The movement within the fair value of the put option obligation is summarised below:	Group & Company 2022 £000	Group & Company 2021 £000
At 1 January	8,710	6,908
Unwind of the discount factor	114	133
Re-evaluation of future exercise dates	(76)	(52)
Re-evaluation of market value	(1,818)	1,721
Exercise of put option	(3,166)	-
At 31 December	3,764	8,710

During 2022 the fair value of the put option obligations relating to Gascoigne Halman Group Limited and RMS Estate Agents Limited reduced by £188k, reflecting expectations around the valuation based on current and forecast trading, which was charged to the income statement. The fair value of the put option obligations relating to The Asset Management Group Limited and Sharman Quinney Holdings Limited reduced by £1,298k and £332k respectively based on trading expectations, but these impact goodwill rather than the income statement.

In the prior year the fair value of the put option obligations relating to Gascoigne Halman Group Limited and RMS Estate Agents Limited were increased by £1,323k, reflecting expectations around the valuation based on current and forecast trading which was charged to the income statement. The fair value of the put option obligations relating to The Asset Management Group Limited and Sharman Quinney Holdings Limited were increased by £nil and £398k respectively based on trading expectations, but these impact goodwill rather than the income statement.

Put options amounting to £2,398k in relation to Gascoigne Halman Group Limited were exercised during the year.

Put options amounting to £769k in relation to Sharman Quinney Holdings Limited were exercised during the year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Lease liabilities

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

Group

	Group 2022 £000	Group 2021 £000
Cost		
At 1 January	98,512	45,148
Recognised on acquisition of subsidiary undertakings	-	76,366
Additions	35,222	7,426
Interest charged	1,658	1,479
Lease payments	(49,018)	(40,372)
Disposals	(1,201)	(396)
Modifications	12,934	8,861
At 31 December	**98,107**	**98,512**

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

	Group 2022 £000	Group 2021 £000
Lease liabilities are repayable:		
In not more than 3 months	7,026	4,061
In more than 3 months but less than 1 year	20,583	19,546
In more than 1 year but less than 5 years	58,171	60,856
In more than 5 years	12,327	14,049
	98,107	**98,512**

Company

	Company 2022 £000	Company 2021 £000
Cost		
At 1 January	182	-
Additions	10,560	206
Interest charged	1	1
Lease payments	(8,832)	(25)
At 31 December	**1,911**	**182**

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

	Company 2022 £000	Company 2021 £000
Lease liabilities are repayable:		
In not more than 3 months	830	19
In more than 3 months but less than 1 year	574	44
In more than 1 year but less than 5 years	507	119
In more than 5 years	-	-
	1,911	**182**

The discount rates for the leases disclosed above ranged from 0.5% to 4.6%. The Group has several lease contracts that include termination options, usually through a break clause. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and adapt to the Group's business needs. Management exercises judgement in determining whether these termination options are reasonably certain to be exercised.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20. Provisions

(a) Property provisions

The dilapidation 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 Group no longer occupies the property. The provision represents the rent to the end of the lease, less any rental income from subletting the properties. The provision for the costs of closed branches is expected to reverse over the remaining life of the leases, or period to the anticipated date of disposal, if sooner.

(b) Insurance commission clawback

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 the provision are revisited every quarter. The provision is expected to reverse over the next 3 years, with a slight weighting towards the first year.

(c) Professional indemnity obligations

Provision is made for professional indemnity claims and potential claims that arise during the normal course of business. The provision is based upon the expected level of future professional indemnity claims relating to services provided by the Group. The provision includes valuation and defect claims. It is not possible to estimate the timing of payment of all claims and therefore a significant proportion of the provision has been classified as non-current, although it is expected a significant proportion of the provision will be settled in the next 2 years, although some will take an additional 5 years to settle entirely.

Valuation claims
The value provided on each valuation claim is the lower of the Professional Indemnity insurance excess per claim or the estimated exposure. Any unutilised annual aggregate Professional Indemnity policy excess is also provided, where the ultimate level of successful claims is expected to exceed this threshold. To assess the level of future claims, analysis is performed on the number of preliminary notifications expected to turn into future claims, and on historical claim trends to forecast the number of future claims where a notification is yet to be received. Historical data on claims success frequency and value is also used to estimate the size of the liability. The provision will be utilised as individual claims are settled and the settlement amount may vary from the amount provided depending on the outcome of each claim. It is not possible to estimate the timing of payment of all claims and therefore a significant proportion of the provision has been classified as non-current.

Defect claims
The group also provides for defect claims where it is found that a property has a defect subsequent to the survey being performed. In some cases, the survey may not have identified the defect and this leads to claims being brought against the group. The value provided for each claim is the expected value of said claim. To assess the level of future claims, analysis is performed on the number of surveys that lead to future claims and the average level of payments made. This data is then used to form an expectation of the number of claims that will be raised based on the number of surveys performed by the group.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20. Provisions (continued)

Group

	Property provisions £000	Insurance commission clawback £000	Professional indemnity obligations £000	Other £000	Total £000
At 1 January 2022	11,077	15,099	7,489	1,703	35,368
Provisions made during the year	-	16,488	2,510	1,464	20,462
Released during the year	(2,709)	-	-	(20)	(2,729)
Provisions utilised in the year	(1,086)	(14,475)	(1,736)	(1,993)	(19,290)
At 31 December 2022	**7,282**	**17,112**	**8,263**	**1,154**	**33,811**
Due within one year or less	5,823	10,714	6,001	-	22,538
Due after more than one year	1,459	6,398	2,262	1,154	11,273

	Property provisions £000	Insurance commission clawback £000	Professional indemnity obligations £000	Other £000	Total £000
At 1 January 2021	1,245	12,474	4,169	68	17,956
Recognised on acquisition of subsidiary undertakings	10,730	1,682	5,362	1,488	19,262
Provisions made during the year	(324)	13,171	-	386	13,233
Released during the year	-	-	(748)	-	(748)
Provisions utilised in the year	(574)	(12,228)	(1,294)	(239)	(14,335)
At 31 December 2021	**11,077**	**15,099**	**7,489**	**1,703**	**35,368**
Due within one year or less	4,385	9,919	5,564	1,620	21,488
Due after more than one year	6,692	5,180	1,925	83	13,880

Company

	Insurance commission clawback £000
At 1 January 2022	2,625
Provisions made during the year	2,657
Released during the year	-
Provisions utilised in the year	(2,569)
At 31 December 2022	**2,713**
Due within one year or less	1,656
Due after more than one year	1,057
At 1 January 2021	
Transfers made during the year	
Provisions made during the year	2,556
Released during the year	2,234
Provisions utilised in the year	-
At 31 December 2021	(2,165)
	2,625
Due within one year or less	1,684
Due after more than one year	941

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

21. Share capital

Group & Company **Allotted, called up and fully paid**	**Year ended 2022 £000**	**Year ended 2021 £000**
10,346,500 (2021: 10,346,500) 'A' ordinary shares of 0.0001p each	1	1
6,955 (2021: 9,274) 'E' ordinary shares of £0.0001p each	-	-
4,636 (2021: 6,182) 'F' ordinary shares of £0.0001p each	-	-
	1	1

The holders of 'A' ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The holders of 'E' and 'F' Ordinary shares are key members of management (including three Directors) who have entered into agreements with the Group's parent company, Skipton Group Holdings Limited, which include a put and call option on these shares where the price to be paid is dependent on the long term profitability of the Group.

During the year, the 'E' and 'F' ordinary shareholders (each a Director) exercised options over 2,319 'E' ordinary shares and 1,546 'F' ordinary shares. Consequently, Skipton Group Holdings Limited purchased these shares which were immediately converted into 3,865'A' ordinary shares in accordance with the Company's Articles of Association, for £8.9m. The Company then repurchased these 3,865 'A' ordinary shares for a consideration equal to their nominal value, £0.39, and immediately cancelled the shares.

The cost of the options is accounted for by Skipton Group Holdings Limited in accordance with IFRS 2 *Share Based Payment.*

Management of capital

Capital is considered to be the share capital, share premium, retained earnings and other reserves.

	Group 31 December 2022 £000	**Company 31 December 2022 £000**	**Group 31 December 2021 £000**	**Company 31 December 2021 £000**
Capital				
Ordinary shares	1	1	1	1
Share premium	25,988	25,988	25,988	25,988
Capital redemption reserve	3,000	3,000	3,000	3,000
Translation reserve	9	-	9	-
Retained earnings	203,798	148,372	188,529	147,582
Non-controlling interest	150	-	332	-
	232,946	177,361	217,859	176,571

The Group is subject to Financial Conduct Authority (FCA) capital requirements which are monitored on a monthly basis and a formal submission sent to the FCA on a quarterly basis. The FCA's capital requirements are in place in order to cover the regulated activities of the Group.

The Group'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 commensurate with the level of risk.

The Group is also subject to the minimum share capital required by the Companies Act, with which it complies.

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

The Group manages the capital balance in order to ensure that an internal limit is not breached.

The Board considers that both external and internal capital requirements were met throughout the year.

The capital redemption reserve arose in 2007 when the Group purchased its own preference shares.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22. Related party transactions

Group

Entity	Related party relationship	Transaction type	Transaction amounts 2022 £000	Transaction amounts 2021 £000	Balance owing/(owed) 2022 £000	Balance owing/(owed) 2021 £000
Skipton Building Society	Parent Undertaking	Interest received	1,244	136	105	-
Skipton Building Society	Parent Undertaking	Administrative expenses	(3,392)	(3,027)	(6,581)	(5,240)
Skipton Building Society	Parent Undertaking	Commissions received	11,280	11,144	629	646
Skipton Building Society	Parent Undertaking	Treasury Loan	-	(253,000)	(124,107)	(128,000)
Skipton Building Society	Parent Undertaking	Treasury Loan Interest	(5,242)	(5,056)	(408)	(224)
TM Group (UK) Limited	Joint Venture Partner	Dividend	-	961	-	961
Vibrant Energy Matters Limited	Joint Venture Partner	Purchase of goods & services	-	(331)	-	-
TM Group (UK) Limited	Joint Venture Partner	Purchase of goods & services	-	(330)	-	-
TM Group (UK) Limited	Joint Venture Partner	Sale of goods and services	-	603	-	603
Legal Marketing Services Limited	Joint Venture Partner	Dividend	750	1,178	750	1,178
Hearthstone Investments Limited	Investment	Sale of goods and services	-	-	320	384

* The parent company of Legal Marketing Services Limited is Cybele Solutions Holdings Limited.

* Amounts with TM Group (UK) Limited and Vibrant Energy Matters Limited are stated for the period in which they were held as Joint Ventures, up to 8th March 2021.

Company

Entity	Related Party relationship	Transaction Type	Transaction Amounts 2022 £000	Transaction Amounts 2021 £000	Balance Owing/(owed) 2022 £000	Balance Owing/(owed) 2021 £000
Skipton Building Society	Parent Undertaking	Interest receivable	701	46	105	-
Skipton Building Society	Parent Undertaking	Purchase of services	(3,392)	(3,027)	(6,581)	(5,240)
Skipton Building Society	Parent Undertaking	Treasury Loan	-	(253,000)	(124,107)	(128,000)
Skipton Building Society	Parent Undertaking	Treasury Loan Interest	(5,242)	(5,056)	(408)	(224)
Other group companies		Purchase of services	-	-	(57,064)	(52,165)
Other group companies		Sale of services	50,590	34,693	39,281	41,480
Non Wholly owned subsidiaries		Purchase of services	-	-	(1,280)	(1,280)
Non Wholly owned subsidiaries		Sale of services	395	744	1,514	666

On 8 March 2021 Connells acquired Countrywide Plc (see note 24 for further details). In order to fund the transaction, a £253.0m loan was extended to Connells Limited by the ultimate Parent Skipton Building Society, of which a balance of £124.1m (2021: £128.0m) remains outstanding on the principal amount owed. At the year end, £407,000 (2021: £224,000) of accrued loan interest is outstanding.

Included in cash and cash equivalents for the Group and Company is £42,900,000 (2021: £65,500,000) of cash held on deposit with Skipton Building Society. All transactions are at arm's length and are provided under normal trade credit terms.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22. Related party transactions (continued)

During the year, the following transactions took place in relation to the Directors and their family members:

	Year ended 2022 £	Amount outstanding 31 December 2022 £	Year ended 2021 £	Amount outstanding 31 December 2021 £
Estate agency fees, paid by Directors and Directors' family members	600	-	1,800	-
Lettings fees, paid by Directors and Directors' family members	8,681	-	7,898	-
Total	**9,281**	**-**	**9,698**	**-**

Lettings and estate agency fees paid by Directors were at rates available to all staff.

Two Directors hold ordinary shares in Hearthstone Investments Limited, a Company in which the Group holds a 17.1% stake (2021: 17.1%). At 31 December 2022 the two Directors hold 9.5% and 1.5% respectively (2021: 9.5% and 1.5%). One Director holds 11.9% of ordinary shares in Global Property Ventures Limited, a Company in which the Group holds a 7.2% stake (2021: 7.2%).

23. Pensions

Defined Benefit Schemes

The amounts recognised in the Statement of Financial Position are determined as follows:

	Group 31 December 2022 £000	Company 31 December 2022 £000	Group 31 December 2021 £000	Company 31 December 2021 £000
Non-current Assets:				
Retirement Benefit Asset	-	-	1,244	-
	-	**-**	**1,244**	**-**
Non-current Liabilities:				
Retirement Benefit Obligation	12,653	11,062	12,973	12,973
	12,653	**11,062**	**12,973**	**12,973**

The Group operates two defined benefit schemes (closed to new members) providing pensions based on final pensionable pay. The contributions are determined by qualified actuaries based on triennial valuations using the projected unit credit method.

The Connells (2014) Group Pension Scheme is accounted for within Connells Limited.

The Countrywide Plc Pension Scheme is accounted for within Countrywide Limited (formerly Countrywide Plc).

Both Schemes are subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, sets out the framework for funding defined benefit occupational pension schemes in the UK.

The Trustees of these Schemes are required to act in the best interest of the Schemes' beneficiaries. The appointment of the Trustees is determined by the Schemes' trust documentation.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions (continued)

Connells (2014) Group Pension Scheme

The Connells (2014) Group Pension scheme is accounted for within Connells Limited. The scheme is now closed to new members and to the future accrual of benefits.

A full actuarial valuation was carried out as at the date set out below in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the scheme is agreed between the Group and the Trustee in line with those requirements. These in particular require the deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions. The most recent actuarial valuation for the scheme showed the following:

Valuation date	Members	Deficit £000	Recovery period	Annual contribution £000
30 April 2020	973	64,132	15 years	2,880

Following the completion of the 2020 actuarial valuation, the Company agreed a revised deficit reduction plan comprising a lump sum contribution of £20m paid in March 2021 and continuing annual deficit reduction contributions of £2,880k (increasing by 1.95% per annum from 1 April 2022) until 31 May 2028 in order to extinguish the funding deficit.

Scheme expenses and levies to the Pension Protection Fund are payable by the Group as and when they are due and are accounted for within administrative expenses. For the purposes of IAS19 the actuarial valuation, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2022.

The assets of the Scheme are held in separate Trustee-administered funds. Contributions to the Scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method.

The main financial assumptions used to calculate Scheme liabilities under IAS19 are:

	2022 Group & Company	2021 Group & Company
Discount rate	5.00%	1.80%
Retail Price Inflation (RPI) rate	3.25%	3.40%
Consumer Price Inflation (CPI) rate	2.75%	2.90%
Increase to defined benefits during deferment (CPI link)	2.75%	2.90%
Increases to pension payment (CPI link)	1.90-3.50%	1.95-2.90%

The most significant non-financial assumption is the assumed rate of longevity. For the year ended 31 December 2022, this has been based on mortality rates that are 98% of the S3PxA tables projected using CMI_2021 converging to 1.25% p.a. The tables adopted imply the following life expectancy:

Non-retired members

	2022	2021
Male retiring in the year	22.3 years	22.1 years
Female retiring in the year	24.6 years	24.4 years
Males retiring in 2037	23.2 years	22.7 years
Females retiring in 2037	25.7 years	25.2 years

Sensitivity analysis regarding the significant assumptions is disclosed in the critical judgements and estimates section.

The table below shows the defined benefit pension liability which is recognised in the Statement of Financial Position:

	Group & Company 2022 £000	Group & Company 2021 £000
Fair value of plan assets	75,553	118,173
Present value of defined benefit obligations	(86,615)	(131,146)
Defined benefit pension liability	**(11,062)**	**(12,973)**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions (continued)

The present value of Scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit credit method. The value calculated in this way is reflected in the net liability in the Statement of Financial Position as shown above. The projected unit credit method is a valuation method in which each potential cash flow from the schemes (e.g. annual pension payment, or potential lump sum payment on death) is multiplied by an assumed probability of payment and discounted between the valuation date and the time the payment is needed.

The table below sets out the reconciliation from the opening balance to the closing balance of the fair value of Scheme assets and present value of Scheme liabilities for the year:

	2022 Group & Company £000	2021 Group & Company £000
Fair value of assets at the start of the year	118,173	94,118
Return on plan assets (excluding amounts recognised in interest income)	(43,959)	4,555
Interest income	2,120	1,495
Ongoing deficit contributions	2,917	2,880
Lump sum contribution	-	20,000
Benefits paid	(3,698)	(4,875)
Fair value of assets at end of year	75,553	118,173

	2022 Group & Company £000	2022 Group & Company £000
Defined benefit obligation at start of the year	*131,146*	*139,425*
Interest cost	2,327	1,986
Actuarial (gains)/losses	(43,160)	(5,390)
Benefits paid	(3,698)	(4,875)
Past service costs	-	-
Expenses	-	-
Defined benefit obligation at end of year	86,615	131,146

The table also sets out the fair value of the Scheme assets by each major category:

	2022 Group & Company £000	2021 Group & Company £000
Diversified Growth Vehicles	14,677	10,361
Liability Driven Investments[1]	28,735	35,178
Cash	4,842	17,237
Debt	12,056	23,540
Equities	15,243	31,857
Total fair value of plan assets	75,553	118,173

[1] Liability Driven Investments ("LDI") are investments in assets which are expected to behave in a similar manner to liabilities and therefore aim to provide a better match against liability movements than conventional bonds or gilts.

The Scheme invests in an LDI fund to aim to provide protection against interest rate and inflation movements. The LDI fund aims to cover 95% of the interest rate sensitivity and 95% of the inflation sensitivity of the funded liabilities of the scheme on the scheme funding basis.

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group. All of the Scheme's assets have a quoted market price in an active market with the exception of the Trustee's bank account balance. It is the policy of the Trustee and the Group to review the investment strategy at the time of each funding valuation. The Trustee's investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the Scheme's Statement of Investment Principles.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions (continued)

The table below shows the expense recognised in the Income statement :

	2022 Group & Company £000	2021 Group & Company £000
Interest cost	207	491
Past service costs	-	-
Total	207	491

The best estimate of the aggregate contributions expected to be paid to the Scheme during the year ending 31 December 2023 are £2,922,000 (2022: £2,922,000).

Countrywide Plc Pension Scheme

The Countrywide Plc Pension Scheme is accounted for within Countrywide Group Limited. The scheme is now closed to new members and to the future accrual of benefits.

The funding arrangements were reviewed as part of the most recent completed valuation as at 5 April 2021. The Group (with the trustees of the Scheme) is responsible for ensuring that pension arrangements are adequately funded and the Directors have agreed a funding programme with the trustees to bring down the deficit in the defined benefit scheme over an appropriate period.

Scheme expenses and levies to the Pension Protection Fund are payable by the Group as and when they are due and are accounted for within administrative expenses. For the purposes of IAS19 the actuarial valuation, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2022.

The assets of the Scheme are held in separate Trustee-administered funds. Contributions to the Scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method.

The main financial assumptions used to calculate Scheme liabilities under IAS19 are:

	2022 Group	2021 Group
Rate of increase in pensions in payment and deferred pensions:		
• On benefits earned prior to 6 April 1997	4.00%	4.00%
• On benefits earned between 6 April 1997 and 1 December 1999	4.25%	4.25%
• On benefits earned after 1 December 1999	3.00%	3.30%
Discount rate	5.00%	1.80%
Retail Price Inflation (RPI) rate	4.25%	4.25%
Consumer Price Inflation (CPI) rate	2.25%	2.90%
Increase to defined benefits during deferment (CPI link)	2.25%	2.90%
Increases to pension payment (CPI link)	1.90-3.50%	1.95-2.90%

The most significant non-financial assumption is the assumed rate of longevity. For the year ended 31 December 2022, this has been based on mortality rates that are 98% of the S3PxA tables projected using CMI_2021 converging to 1.25% p.a. The tables adopted imply the following life expectancy:

Non-retired members

	2022	2021
Male retiring in the year	22.1 years	21.9 years
Female retiring in the year	24.4 years	24.2 years
Males retiring in 2042	23.4 years	22.9 years
Females retiring in 2042	25.9 years	25.4 years

Sensitivity analysis regarding the significant assumptions is disclosed in the critical judgements and estimates section.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions (continued)

The table below shows the defined benefit pension asset which is recognised in the Statement of Financial Position:

	Group 2022 £000	Group 2021 £000
Fair value of plan assets	33,754	51,779
Present value of defined benefit obligations	(35,345)	(50,535)
Defined benefit pension (liability)/asset	(1,591)	1,244

The present value of Scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit credit method. The value calculated in this way is reflected in the net liability in the Statement of Financial Position as shown above. The projected unit credit method is a valuation method in which each potential cash flow from the schemes (e.g. annual pension payment, or potential lump sum payment on death) is multiplied by an assumed probability of payment and discounted between the valuation date and the time the payment is needed.

The table below sets out the reconciliation from the opening balance to the closing balance of the fair value of Scheme assets and present value of Scheme liabilities for the year:

	2022 Group £000	2021 Group £000
Fair value of assets at the start of the year	51,779	51,535
Return on plan assets (excluding amounts recognised in interest income)	(18,544)	2,057
Interest income	928	719
Ongoing deficit contributions	2,000	-
Expenses	(180)	(257)
Benefits paid	(2,229)	(2,275)
Fair value of assets at end of year	**33,754**	**51,779**

	2022 Group £000	2021 Group £000
Defined benefit obligation at start of the year	50,535	51,627
Interest cost	890	722
Actuarial losses/ (gains)	(13,851)	461
Benefits paid	(2,229)	(2,275)
Defined benefit obligation at end of year	**35,345**	**50,535**

The table also sets out the fair value of the Scheme assets by each major category:

	2022 Group £000	2021 Group £000
Diversified Growth Vehicles	-	3,642
Liability Driven Investments[1]	776	4,377
Cash	971	689
Debt	1,038	1,411
Absolute Return bond fund	4,597	4,791
Insured Pensioners	26,372	36,869
Total fair value of plan assets	**33,754**	**51,779**

[1] Liability Driven Investments ("LDI") are investments in assets which are expected to behave in a similar manner to liabilities and therefore aim to provide a better match against liability movements than conventional bonds or gilts.

Insured pensioners and cash constitute unquoted investments. All other investments are managed funds either quoted directly or comprising quoted investments. The Group does not have any of its own transferable instruments, property occupied or other assets used held as plan assets.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions (continued)

The table below shows the expense recognised in the Income statement:

	2022 Group £000	2021 Group £000
Interest cost	(38)	3
Expenses	180	257
Total	142	260

The best estimate of the aggregate contributions expected to be paid to the Scheme during the year ending 31 December 2023 is £1.3m (year ending 31 December 2022:£2.0m).

Risks

Both Schemes are exposed to the following investment risks:
- Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk: this comprises currency risk, interest rate risk and other price risk.
- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The main investment objective for the Trustee of the Schemes is to maintain a portfolio of suitable assets to meet, together with future contributions, the benefits payable under the Trust Deed and Rules as they fall due. Both schemes have exposure to investment risks because of the investments it makes to implement its investment strategy, as detailed in the Statement of Investment Principles.

The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Schemes' strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and are monitored by the Trustee by regular reviews of the investment portfolios.

(i) Credit risk
Both Schemes invest in pooled investment vehicles and are therefore directly exposed to credit risk in relation to the instruments held in pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

The Schemes' holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

The investment manager carries out own due diligence checks before a new pooled fund is invested in, and on an ongoing basis monitor any changes to the regulatory and operating environment of the underlying pooled investment managers.

Indirect credit risk arises in relation to underlying investments held in the LDI pooled investment vehicles, as well as DGF pooled investment vehicles due to the bond holdings within these funds.

The LDI funds use robust collateralisation management procedures so as to mitigate the impact of credit risk.

(ii) Currency risk
The Schemes' assets are not subject to indirect currency risk because none of the Schemes' investments are held in overseas markets via pooled investment vehicles.

The Schemes do not take explicit unhedged positions in overseas investments through their investment strategy, either directly or indirectly via pooled investment vehicles.

The Diversified Growth Fund managers may from time to time take unhedged overseas investment positions in pursuit of growth opportunities or to reduce overall fund risk, although their neutral position is considered to be 100% Sterling.

(iii) Interest rate risk
The Schemes' assets are subject to indirect interest rate risk through their LDI pooled investment vehicles, as well as DGF pooled investment vehicles due to the bond holdings within these funds.

The Schemes' liabilities are exposed to a significant level of interest rate movement and for this reason it is desirable for the assets to be exposed to interest rate risk. The Scheme manages the interest rate risk by considering the net risk when taking account of the liabilities valued.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions (continued)

(iv) Other price risk
Other price risk arises principally in relation to the Schemes' return seeking portfolio which includes DGFs held in pooled investment vehicles, as well as the LDI pooled investment vehicles due to the inflation sensitive elements of the fund. Both Schemes manage this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

Defined contribution schemes
The Group also operates a number of Group Personal Pension Schemes, the assets of which are held separately from those of the Group, as independently administered funds. The amount charged to the Income Statement in respect of defined contribution schemes is the contribution payable in the year and amounted to £18,059k (2021: £15,247k). There were no outstanding contributions (2021: £nil) at the end of the financial year.

24. Acquisitions

During the year, the Group acquired a further four small estate agency and/or lettings businesses for total consideration of £1.0m, of which £0.3m is deferred. Goodwill recognised was £0.3m and customer contracts of £0.8m were recognised (see Note 11 above). The revenue and pre-tax profit generated by these businesses in 2022 was £0.5m and £0.1 million respectively.

During the prior year, the Group purchased 100% of the share capital of Countrywide plc (now Countrywide Limited) for cash consideration of £131.8M. From the date of acquisition, the acquired Countrywide business contributed total income of £516.1m and profit before tax of £60.9m to the Group's consolidated income statement for 2021.

Consequent to the Countrywide acquisition, the Group's joint ventures, TM Group (UK) Limited ("TMG") and Vibrant Energy Matters Limited, became subsidiary undertakings on 8 March 2021 via 'step-acquisition'. The Group disposed of its remaining interest in TMG on 8 July 2021 for cash consideration of £58.0m, as the Group's interest in TMG was held at fair value, there was no gain or loss on disposal. Vibrant Energy Matters Limited contributed revenues of £6.7m and pre-tax profits of £0.3m to the Group's consolidated income statement in 2021.

25. 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 Group is exposed are liquidity risk, market risk and credit risk, these are monitored on a regular basis by management. Each of these is considered below.

Liquidity risk

Liquidity risk is the risk that the Group and Company are not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Group's and Company's liquidity policy is to maintain sufficient liquid resources to cover imbalances and fluctuations in funding, to maintain solvency of the Group and Company and to enable the Group and 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:

2022

Group	Carrying amount £000	Contractual cash flows £000	In not more than 3 months £000	In more than 3 months but not 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	138,311	138,311	124,225	-	3,504	10,582
Amounts owing to group companies	131,096	131,096	6,581	10,246	40,983	73,286
Lease liabilities	98,107	107,801	3,810	24,446	60,791	18,754
Total	**367,514**	**377,208**	**134,616**	**34,692**	**105,278**	**102,622**
Company						
Trade and other payables	16,505	16,505	11,588	-	3,504	1,413
Amounts owing to group companies	189,440	189,440	6,581	68,590	40,983	73,286
Lease liabilities	1,911	1,911	830	574	507	-
Total	**207,856**	**207,856**	**18,999**	**69,164**	**44,994**	**74,699**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

25. Financial instruments (continued)

2021

Group	Carrying amount £000	Contractual cash flows £000	In not more than 3 months £000	In more than 3 months but not 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	154,335	154,335	133,039	-	7,635	13,661
Amounts owing to group companies	133,464	133,464	5,240	8,772	35,089	84,363
Lease Liabilities	98,512	107,740	4,330	20,709	63,070	19,631
Total	**386,311**	**395,539**	**142,609**	**29,481**	**105,794**	**117,655**
Company						
Trade and other payables	24,828	24,827	6,543	-	7,635	10,650
Amounts owing to group companies	186,910	186,909	5,240	62,217	35,089	84,363
Lease liabilities	182	184	19	57	108	-
Total	**211,920**	**211,921**	**11,802**	**62,274**	**42,832**	**95,013**

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 Group and Company are not exposed to any currency risk as all transactions are denominated in Sterling.

Interest rate risk

The Group and Company have no interest bearing liabilities. The Group and Company are exposed to movements in interest rates on intercompany balances and on monies held on deposit with its ultimate parent undertaking, Skipton Building Society. This exposure is monitored on a continuous basis. Any changes to interest rates are not expected to have a material impact on the Group's results due to the Group's limited level of external funding.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Based on historic default rates, the Group believes that no impairment provision is necessary in respect of most trade receivables not overdue or over due by up to 30 days. For maximum credit exposure see note 16. Management carefully manages its exposure to credit risk.

The Group's financial assets (excluding assets held at FVTPL) at the year end were as follows:

	2022 Group £000	**2021 Group £000**
Cash and cash equivalents	106,951	119,057
Trade receivables	59,473	67,584
Other receivables	5,905	13,692
Amounts due from ultimate parent undertaking	629	646
	172,958	**200,979**

As stated in note 16, 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 Group. The Group is exposed to credit risk from sales. It is Group policy to assess the credit risk of major new customers before entering contracts. The majority of customers use the Group'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, customers of the Survey & Valuations and Asset Management businesses, are large financial institutions and as such the credit risk is not significant. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. The following table presents a breakdown of the gross trade receivables between the three main types of customer:

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

25. Financial instruments (continued)

	2022 Group £000	2021 Group £000
Individual customers	17,955	20,711
Major lenders	11,524	17,373
Other commercial customers	33,648	33,654
	63,127	71,738

The Group 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 following table presents a breakdown of cash at bank and short term deposits by credit rating of the institution where it is held:

	2022 Group £000	2021 Group £000
A+	62,896	53,557
A-	44,055	65,500
	106,951	119,057

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and level of dividends to ordinary shareholders. There were no changes in the Group's or Company's approach to capital management during the year. The Group and Company are subject to FCA capital requirements as discussed in note 21.

Valuation techniques

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1
The most reliable fair values of financial instruments and assets held at FVTPL are quoted market prices in an actively traded market. Examples of these are gilts and sovereign debt.

Level 2
These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are quoted prices available for similar instruments in active markets. Examples of level 2 instruments are certificates of deposit and interest rate swaps.

Level 3
These are valuation techniques for which any one or more significant input is not based on observable market data. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's-length.

The tables below summarise the fair value measurement basis used for assets and liabilities held at fair value:

Financial Assets/ Liabilities	Quoted prices in active markets (level 1) £000	Valuation techniques using observable inputs (level 2) £000	Valuation techniques using significant unobservable inputs (level 3) £000	Total £000
Group and Company – 2022				
Quoted shares	101	-	-	101
Unquoted shares	-	-	27,841	27,841
Put option liabilities	-	(3,764)	-	(3,764)
Total	**101**	**(3,764)**	**27,841**	**24,178**
Group and Company – 2021				
Quoted shares	221	-	-	221
Unquoted shares	-	-	12,555	12,555
Put option liabilities	-	(8,710)	-	(8,710)
Total	**221**	**(8,710)**	**12,555**	**4,066**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

25. Financial instruments (continued)

Changes in liabilities arising from financing activities

Group	At 1 January 2022 £000	Additions £000	Cash Flows £000	Interest and other non-cash movements £000	At 31 December 2022 £000
Loan from Ultimate Parent Undertaking (Note 22)	128,224	-	(8,951)	5,242	124,515
Amounts owed to credit institutions (Note 18)	1,000	-	(1,000)	-	-
Lease liabilities (Note 19)	98,512	35,222	(49,018)	13,391	98,107
Total	**227,736**	**35,222**	**(58,969)**	**18,633**	**222,622**
Company					
Loan from Ultimate Parent undertaking (Note 22)	128,224	-	(8,951)	5,242	124,515
Amounts owed to credit institutions (Note 18)	-	-	-	-	-
Lease liabilities (Note 19)	182	10,560	(8,832)	1	1,911
Total	**128,406**	**10,560**	**(17,783)**	**5,243**	**126,426**

Group	At 1 January 2021 £000	Arising on Acquisition £000	Additions £000	Cash Flows £000	Interest and other non-cash movements £000	At 31 December 2021 £000
Loan from Ultimate Parent Undertaking (Note 22)	-	-	253,000	(129,832)	5,056	128,224
Amounts owed to credit institutions (Note 18)	-	94,000	-	(93,000)	-	1,000
Lease liabilities (Note 19)	45,148	76,366	7,426	(40,372)	9,944	98,512
Total	**45,148**	**170,366**	**260,426**	**(263,204)**	**15,000**	**227,736**
Company						
Loan from Ultimate Parent undertaking (Note 22)	-	-	253,000	(129,832)	5,056	128,224
Amounts owed to credit institutions (Note 18)	-	-	-	-	-	-
Lease liabilities (Note 19)	-	-	206	(25)	1	182
Total	**-**	**-**	**253,206**	**(129,857)**	**5,057**	**128,406**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

26. Capital commitments

Capital commitments at the year-end for which no provision has been made were as follows:

Group

	Year ended 2022 £000	Year ended 2021 £000
Motor vehicles	4,338	9,535
Improvements	334	142
At 31 December	4,672	9,677

Company

	Year ended 2022 £000	Year ended 2021 £000
Motor vehicles	3.900	8,414
Improvements	-	-
At 31 December	3,900	8,414

27. Client monies

As at 31 December 2022, monies held by the Group in separate bank accounts on behalf of clients amounted to £490,021,478 (2021: £453,222,000). Neither this amount, nor the matching liabilities to the related clients are included in the Group balance sheet.

Client funds are protected by the Financial Services Compensation Scheme (FSCS) under which the Government guarantees amounts up to £85,000. This guarantee applies to each individual client, not the total of deposits held by the Group.

28. Ultimate parent undertaking

The Group's ultimate parent undertaking is Skipton Building Society, which is registered in the United Kingdom. The smallest and largest Group in which the results are consolidated is that headed by Skipton Building Society. A copy of the Skipton Building Society annual report and accounts into which the results of this Company are consolidated is available from:

The Secretary
Skipton Building Society
The Bailey
Skipton
North Yorkshire
BD23 1DN

Appendix – Related undertakings of the Group at 31 December 2022

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
A3 Countrywide Limited	8	UK	100%	Indirect
Abbotts Estate Agents Ltd	8	UK	100%	Indirect
Accord Properties Limited	8	UK	100%	Indirect
Acornsrl Limited	8	UK	100%	Indirect
Aeromind Limited	8	UK	100%	Indirect
AgencyPro Limited	7	UK	100%	Indirect
Alan de Maid Limited	8	UK	100%	Indirect
Alan Harvey Property Services Limited	8	UK	100%	Indirect
Allguard Legal Services Limited	1	UK	100%	Indirect
AMG North East Limited	2	UK	100%	Indirect
AMG Projects Limited	2	UK	100%	Indirect
Anderson Estate Agents Limited	8	UK	100%	Indirect
APW Holdings Limited	8	UK	100%	Indirect
APW Management (Cobham) Limited	8	UK	100%	Indirect
APW Management (Esher) Limited	8	UK	100%	Indirect
APW Management (Sunninghill) Limited	8	UK	100%	Indirect
APW Management (Weybridge) Limited	8	UK	100%	Indirect
APW Management Services Limited	8	UK	100%	Indirect
Ashton Burkinshaw (Franchising) Limited	8	UK	100%	Indirect
Ashton Burkinshaw Limited	8	UK	100%	Indirect
Associated Employers Limited	9	UK	100%	Indirect
Austin & Wyatt Limited	8	UK	100%	Indirect
Avon Property (Wilts) Limited	8	UK	100%	Indirect
Bairstow Eves Countrywide Limited	8	UK	100%	Indirect
Bairstow Eves Limited	8	UK	100%	Indirect
Baker Harris Saunders Group Limited	8	UK	100%	Indirect
Barrys (Surrey) Limited	8	UK	100%	Indirect
Beresford Adams Limited	8	UK	100%	Indirect
Berkeley Private Capital Ltd	8	UK	100%	Indirect
Blundells Property Services Limited	8	UK	100%	Indirect
Bridgfords Countrywide Limited	8	UK	100%	Indirect
Bridgfords Limited	8	UK	100%	Indirect
Buckell & Ballard Limited	8	UK	100%	Indirect
Bullock and Lees (Christchurch) Limited	8	UK	100%	Indirect
Burchell Edwards (Midlands) Limited	1	UK	100%	Direct
Bureau Properties Limited	7	UK	100%	Indirect
Buy to Let Club Limited	8	UK	100%	Indirect
CAG Overseas Investments Limited	8	UK	100%	Indirect
Capital Fine Homes Limited	8	UK	100%	Indirect
Capital Private Finance Limited	11	UK	100%	Indirect
Cardinal Mortgage Service Limited (The)	8	UK	100%	Indirect
Carol Whyte Property Management Limited	11	UK	100%	Indirect
Carson & Company Estate Agents Limited	8	UK	100%	Indirect
Castle Moat at Taunton Limited	8	UK	100%	Indirect
CEA Holdings Limited	8	UK	100%	Indirect
Chancery Law Services Limited	1	UK	100%	Indirect
Chamberlains Lettings Limited	8	UK	100%	Indirect
Chamberlains SGS Holdings Limited	8	UK	100%	Indirect
Chappell & Matthews Limited	8	UK	100%	Indirect
Chattings Limited	8	UK	100%	Indirect

Appendix – Related undertakings of the Group at 31 December 2022 (continued)

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
CHK (Cobham) Ltd	8	UK	100%	Indirect
CHK (Esher) Limited	8	UK	100%	Indirect
Cliftons International Ltd	8	UK	100%	Indirect
Connell Wilson Limited	8	UK	100%	Indirect
Connells Estate Agents Limited	1	UK	100%	Direct
Connells Financial Services Limited	1	UK	100%	Direct
Connells Residential	1	UK	100%	Direct
Connells Survey & Valuation Limited	1	UK	100%	Direct
Conveyancing Direct Limited	4	UK	100%	Direct
Copleys of York Limited	8	UK	100%	Indirect
Cosec Management Services Limited	12	UK	100%	Indirect
Countrywide Conveyancing Limited	8	UK	100%	Indirect
Countrywide Corporate Property Services Limited	13	UK	100%	Indirect
Countrywide Estate Agents	7	UK	100%	Indirect
Countrywide Estate Agents (South) Limited	7	UK	100%	Indirect
Countrywide Estate Agents FS Limited	8	UK	100%	Indirect
Countrywide Estate Agents Nominees Limited	8	UK	100%	Indirect
Countrywide Financial Services (South) Limited	8	UK	100%	Indirect
Countrywide Group Limited	7	UK	100%	Indirect
Countrywide Group Holdings Limited	7	UK	100%	Indirect
Countrywide Home Movers Services Limited	8	UK	100%	Indirect
Countrywide Limited	7	UK	100%	Direct
Countrywide Mortgage Services Limited	8	UK	100%	Indirect
Countrywide North Limited	8	UK	100%	Indirect
Countrywide Part Exchange Solutions Limited	8	UK	100%	Indirect
Countrywide Principal Services Limited	10	UK	100%	Indirect
Countrywide Property Auctions Limited	7	UK	100%	Indirect
Countrywide Property Care Solutions Limited	8	UK	100%	Indirect
Countrywide Property Lawyers Limited	14	UK	100%	Indirect
Countrywide Relocation Solutions Limited	8	UK	100%	Indirect
Countrywide Repossession Solutions Limited	8	UK	100%	Indirect
Countrywide Residential Investments Limited	8	UK	100%	Indirect
Countrywide Residential Lettings Limited	7	UK	100%	Indirect
Countrywide Residential Lettings Nominees Limited	7	UK	100%	Indirect
Countrywide Surveyors Limited	7	UK	100%	Indirect
Countrywide UK Limited	8	UK	100%	Indirect
CRL Company Directors Limited	12	UK	100%	Indirect
CRL Company Secretaries Limited	12	UK	100%	Indirect
Curtis and Bains Limited	8	UK	100%	Indirect
Dickinson Harrison Limited	8	UK	100%	Indirect
Duck & Hedges Group Ltd	8	UK	100%	Indirect
Duck & Hedges Limited	8	UK	100%	Indirect
Edinburgh Property Letting Limited	11	UK	100%	Indirect
Entwistle Green Limited	8	UK	100%	Indirect
Executive Property Services Residential Ltd	8	UK	100%	Indirect
Executry Services Scotland Limited	5	UK	100%	Indirect
Faron Sutaria & Company Limited	8	UK	100%	Indirect
Finders Keepers Limited	8	UK	100%	Indirect
Fitz-Gibbon Limited	8	UK	100%	Indirect
Ford Property Services Limited	8	UK	100%	Indirect
Frank Innes Countrywide Limited	8	UK	100%	Indirect

Appendix – Related undertakings of the Group at 31 December 2022 (continued)

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
Freeman Forman Letting Limited	8	UK	100%	Indirect
Freeman Forman Limited	8	UK	100%	Indirect
Fulfords Estate Agents Limited	8	UK	100%	Indirect
Gascoigne Halman Group Limited	1	UK	92.75%	Direct
Gascoigne Halman (Holdings) Limited	1	UK	100%	Indirect
Gascoigne Halman Limited	3	UK	100%	Indirect
Gascoigne Halman Private Finance Limited	3	UK	100%	Indirect
Gascoigne Pees Estate Agents Limited	8	UK	100%	Indirect
Gertingpet Limited	8	UK	100%	Indirect
Gilpro Management Limited	11	UK	100%	Indirect
Greene & Co Maintenance Limited	8	UK	100%	Indirect
Grosvenor Private Clients Limited	8	UK	100%	Indirect
Hall and Benson Limited	1	UK	100%	Indirect
Hamptons Estates Limited	7	UK	100%	Indirect
Hamptons Group Limited	8	UK	100%	Indirect
Hamptons International (Hong Kong) Limited	15	Hong Kong	100%	Indirect
Hamptons International (India) Private Limited	16	India	100%	Indirect
Hamptons International Mortgages Limited	8	UK	100%	Indirect
Hamptons Property Consultancy Limited	25	Barbados	100%	Indirect
Harecastle Limited	12	UK	100%	Indirect
Harrisons Estate Agents Limited	8	UK	100%	Indirect
Harvey Donaldson & Gibson Limited	17	UK	100%	Indirect
Hatched.co.uk Limited	1	UK	100%	Indirect
Hatchedepc.co.uk Limited	1	UK	100%	Indirect
HCW Estate Agents Limited	8	UK	100%	Indirect
HCW Group Limited	8	UK	100%	Indirect
HCW Insurance Services Limited	8	UK	100%	Indirect
Heritage Family Estates Limited	1	UK	100%	Indirect
Herring Baker Harris East Anglia Ltd	8	UK	100%	Indirect
Herring Baker Harris Europe Ltd	8	UK	100%	Indirect
Herring Baker Harris Nominees Limited	8	UK	100%	Indirect
Hetheringtons	8	UK	100%	Indirect
Hetheringtons Estate Agents Limited	7	UK	100%	Indirect
Hockleys Professional Limited	1	UK	100%	Direct
Holland Mitchell Limited	8	UK	100%	Indirect
Holroyds Residential Limited	1	UK	100%	Indirect
Home From Home Limited	8	UK	100%	Indirect
Housemans Management Company Limited	12	UK	100%	Indirect
Housemans Management Secretarial Limited	12	UK	100%	Indirect
Howunalis Limited	8	UK	100%	Indirect
Howuncea	8	UK	100%	Indirect
Howunsay	8	UK	100%	Indirect
Hurst Independent Financial Services Limited	8	UK	100%	Indirect
Ian Peat Property Management Limited	8	UK	100%	Indirect
IHLS Limited	1	UK	100%	Indirect
Ikon Consultancy Limited	8	UK	100%	Indirect
In Home Legal Services Limited	1	UK	100%	Indirect
Interest Only Solutions Limited	1	UK	100%	Direct
Interlet Property Management Limited	8	UK	100%	Indirect

Appendix – Related undertakings of the Group at 31 December 2022 (continued)

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
Isite.UK.Com Limited	8	UK	100%	Indirect
JP & Brimelow (Lettings and Property Management) Limited	8	UK	100%	Indirect
JAM Advisors Limited	18	UK	100%	Indirect
JK Lettings Limited	8	UK	100%	Indirect
John Curtis Lettings & Management Limited	8	UK	100%	Indirect
John Curtis Limited	8	UK	100%	Indirect
John D Wood & Co. (Residential & Agricultural) Limited	26	UK	100%	Indirect
John D Wood & Co. Plc	8	UK	100%	Indirect
John Frances Limited	8	UK	100%	Indirect
John Francis (Wales) Limited	8	UK	100%	Indirect
Just Wills Limited	1	UK	100%	Indirect
Just Wills Group Limited	1	UK	100%	Indirect
Just Wills Holdings Limited	1	UK	100%	Direct
Kean Kennedy Ltd	17	UK	100%	Indirect
Kevin Henry Limited	1	UK	100%	Indirect
Keysafe Tenant Vetting Limited	1	UK	100%	Direct
Kilroy Estate Agents Limited	8	UK	100%	Indirect
King & Chasemore Limited	8	UK	100%	Indirect
Knights of Bath Limited	8	UK	100%	Indirect
Knightsbridge Estate Agents and Valuers Limited	8	UK	100%	Indirect
Labyrinth Management Limited	12	UK	100%	Indirect
Lambert Smith Hampton (City) Limited	8	UK	100%	Indirect
Lambert Smith Hampton (NIreland) Limited	9	UK	100%	Indirect
Lambert Smith Hampton Group (Overseas) Limited	8	UK	100%	Indirect
Lambert Smith Hampton Group Limited	9	UK	100%	Indirect
Lambert Smith Hampton Investment Management Limited	9	UK	100%	Indirect
Lambert Smith Hampton Limited	9	UK	100%	Indirect
Lambert Smith Hampton Limited (Ireland)	24	Ireland	100%	Indirect
Lampons Residential Limited	8	UK	100%	Indirect
Land and New Homes Countrywide Limited	8	UK	100%	Indirect
Lanes Land Limited	8	UK	100%	Indirect
Lanes Property Agents (Cheshunt) Limited	8	UK	100%	Indirect
Leasehold Legal Services Limited	8	UK	100%	Indirect
Leasemanco Limited	12	UK	100%	Indirect
Legal Services Probate Limited	1	UK	100%	Indirect
Legal Services UK Limited	1	UK	100%	Indirect
Let Lucas Rental Specialists Limited	8	UK	100%	Indirect
Let Verde Limited	8	UK	100%	Indirect
Letmore Group Ltd	8	UK	100%	Indirect
Letmore Lettings Ltd	8	UK	100%	Indirect
Lets – Cover Limited	8	UK	100%	Indirect
Letters of Distinction Limited	8	UK	100%	Indirect
Life and Easy Limited	19	UK	100%	Indirect
Lifestyle Management (York) Co. Limited	8	UK	100%	Indirect
Lighthouse Property Services Ltd	8	UK	100%	Indirect
London & Country Property Auctions Limited	7	UK	100%	Indirect
LS1 Limited	8	UK	100%	Indirect
Maitland Lettings Limited	8	UK	100%	Indirect
Mann & Co. (Kent) Limited	8	UK	100%	Indirect
Mann & Co. Limited	8	UK	100%	Indirect

Appendix – Related undertakings of the Group at 31 December 2022 (continued)

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
Mann Countrywide Limited	8	UK	100%	Indirect
Merchant Executive Properties Limited	11	UK	100%	Indirect
Merchant Lettings (Ayrshire) Limited	11	UK	100%	Indirect
Merchant Lettings (Edinburgh) Limited	11	UK	100%	Indirect
Merchant Lettings (Paisley) Limited	11	UK	100%	Indirect
Merchant Lettings Limited	11	UK	100%	Indirect
Merchant Maintenance Limited	11	UK	100%	Indirect
Michael Rhodes Property Management Limited	8	UK	100%	Indirect
Mid Cornwall Letting Limited	8	UK	100%	Indirect
Miller Estate Agents Limited	8	UK	100%	Indirect
Modernmode Limited	8	UK	100%	Indirect
Morris Dibben Limited	8	UK	100%	Indirect
Mortgage Intelligence Holdings Limited	19	UK	100%	Indirect
Mortgage Intelligence Limited	19	UK	100%	Indirect
Mortgage Next Limited	19	UK	100%	Indirect
Mortgage Next Network Limited	19	UK	100%	Indirect
Mortgage Next Packaging Limited	8	UK	100%	Indirect
Mountford Limited	8	UK	100%	Indirect
Nest Lettings & Management Limited	8	UK	100%	Indirect
New Homes Mortgage Solutions Limited	8	UK	100%	Indirect
New Space (Derby) Limited	8	UK	100%	Indirect
New Space Margate Ltd	8	UK	100%	Indirect
NHMH Direct Limited	1	UK	100%	Indirect
Ohmes Limited	8	UK	100%	Indirect
Palmer Snell Limited	8	UK	100%	Indirect
Patterson Bowe Ltd	8	UK	100%	Indirect
Pattison Lane Estate Agents Limited	1	UK	100%	Indirect
Pebble Property Management and Lettings Limited	8	UK	100%	Indirect
Personal Homefinders Limited	8	UK	100%	Indirect
Peter Alan Black Limited	1	UK	100%	Indirect
Peter Alan Limited	1	UK	100%	Direct
Phillips Brown Limited	8	UK	100%	Indirect
PKL Group Limited	8	UK	100%	Indirect
PKL Limited	8	UK	100%	Indirect
PKL Management Limited	8	UK	100%	Indirect
Plaza Letting Agents Limited	8	UK	100%	Indirect
Poolman Harlow Limited	8	UK	100%	Indirect
Porter Glenny Limited	1	UK	100%	Indirect
Porter Glenny New Homes Limited	1	UK	100%	Indirect
Portfolio Letting Agents & Consultants Ltd	11	UK	100%	Indirect
Potteries Property Services Limited	8	UK	100%	Indirect
Preston Bennett Holdings Limited	8	UK	100%	Indirect
Preston Bennett Limited	8	UK	100%	Indirect
Property Management (North East) Limited	8	UK	100%	Indirect
Propertywide Limited	7	UK	100%	Indirect
Protection Helpline Limited	1	UK	100%	Direct
R.A. Bennett & Partners Ltd	8	UK	100%	Indirect
Redstone Wills Limited	4	UK	100%	Direct
Regal Lettings and Property Management Kent Limited	8	UK	100%	Indirect

Appendix – Related undertakings of the Group at 31 December 2022 (continued)

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
Relocation Solutions Countrywide Limited	8	UK	100%	Indirect
Rentons Estate Agents Limited	7	UK	100%	Indirect
Resi Capital Limited	7	UK	100%	Indirect
Resi Capital Member Limited	7	UK	100%	Indirect
Richard Dolton Limited	8	UK	100%	Indirect
RMS Estate Agents Limited	1	UK	95%	Direct
RMS Mortgage Services Limited	1	UK	100%	Indirect
Roberts & Co Property Management Limited	1	UK	100%	Indirect
RPT Management Services Plc	8	UK	100%	Indirect
Russells Lettings Limited	8	UK	100%	Indirect
Saville Home Management Limited	8	UK	100%	Indirect
Securemove Property Services 2005 Limited	8	UK	100%	Indirect
Securemove Property Services Limited	8	UK	100%	Indirect
Sequence (UK) Limited	1	UK	100%	Direct
ServPro Limited	7	UK	100%	Indirect
Sharman Quinney Holdings Limited	1	UK	100%	Direct
Slater Hogg & Howison Limited	8	UK	100%	Indirect
Slater Hogg Mortgages Limited	10	UK	100%	Indirect
Snape Lettings Ltd	8	UK	100%	Indirect
Spencers Estate Agents Limited	8	UK	100%	Indirect
Spencers Surveyors Limited	8	UK	100%	Indirect
Sprint Property Acquisitions Ltd	8	UK	100%	Indirect
Stan Collins & Co Ltd	1	UK	100%	Indirect
Statehold Limited	8	UK	100%	Indirect
Stratton Creber Limited	8	UK	100%	Indirect
Sundale Properties Limited	8	UK	100%	Indirect
SurveyingPro.co.uk Limited	8	UK	100%	Indirect
Sutton Kersh Auctions & Sales Ltd	8	UK	100%	Indirect
Sutton Kersh Holdings Ltd	8	UK	100%	Indirect
Tablesign Limited	8	UK	100%	Indirect
Taylors Estate Agents Ltd	8	UK	100%	Indirect
The Asset Management Group Limited	2	UK	75%	Direct
The Butler Club Limited	8	UK	100%	Indirect
The Buy To Let Business Limited	11	UK	100%	Indirect
The Buy To Let Group Limited	11	UK	100%	Indirect
The Flat Managers Limited	8	UK	100%	Indirect
The Good Mortgage Company Ltd	8	UK	100%	Indirect
The Greene Corporation Limited	8	UK	100%	Indirect
The London Residential Agency Limited	8	UK	100%	Indirect
The New Homes Group Limited	1	UK	100%	Direct
The Universal Trust Corporation	1	UK	100%	Indirect
The Willmaster Limited	1	UK	100%	Indirect
The Willmaster (Storage) Limited	1	UK	100%	Indirect
Thomas James Lettings Limited	8	UK	100%	Indirect
Thomson & Moulton Limited	8	UK	100%	Indirect
Tingleys Lettings Limited	8	UK	100%	Indirect
TitleAbsolute Limited	20	UK	100%	Indirect
TNHG Limited	1	UK	100%	Indirect

Appendix – Related undertakings of the Group at 31 December 2022 (continued)

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
Town & County Residential Limited	8	UK	100%	Indirect
Tucker Gardner Residential Limited	8	UK	100%	Indirect
Umberman Limited	8	UK	100%	Indirect
United Surveyors Limited	8	UK	100%	Indirect
Vanet Property Asset Management Limited	8	UK	100%	Indirect
Vibrant Energy Matters Limited	6	UK	78.44%	Direct
Waferprime Limited	8	UK	100%	Indirect
Wallhead Gray & Coates	8	UK	100%	Indirect
Watson Bull & Porter Limited	8	UK	100%	Indirect
Westcountry Property Auctions Limited	7	UK	100%	Indirect
White Space Property Group Limited	1	UK	100%	Indirect
Willcraft Services Limited	1	UK	100%	Indirect
Wilson Peacock Estate Agents Limited	8	UK	100%	Indirect
Woods Block Management Limited	12	UK	100%	Indirect
WSB Property Management Limited	8	UK	100%	Indirect
Wyse Lettings Limited	8	UK	100%	Indirect
Young & Butt Limited	8	UK	100%	Indirect
Young Lettings Limited	8	UK	100%	Indirect
Your Mortgage Cloud Limited	1	UK	100%	Indirect
Zeus Financial Services Limited	1	UK	100%	Direct

Registered offices:

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6. 2 Foxes Lane, Oakdale Business Park, Blackwood, Gwent, NP12 4AB
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11. c/o Countrywide Lettings Ltd, 71 Candleriggs, Glasgow, Lanarkshire, G1 1NP, United Kingdom
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15. Rooms 1101-04, 138 Gloucester Road, Hong Kong
16. F-509, 5th Floor, Ashish Corporate Tower, Plot No. 18, Karkardooma Community Centre, New Delhi, India
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