

**CONVEYANCING DIRECT LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 December 2020**

**(Registered Number 04152278)**



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## Directors' Report

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

### INTRODUCTION AND OVERVIEW

Conveyancing Direct Limited is a private limited company incorporated in England & Wales, registered number: 04152278. The company provides conveyancing and legal services to the residential property market. The Council for Licensed Conveyancers regulates the business. The Company operates under the Conveyancing Direct brand.

The Company made a profit before tax of £274,000 for the year (2019: loss of £167,000).

### DIRECTORS

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

MV Timms  
RJ Twigg  
JP Cosson  
JM Davy  
M Harris

### DIVIDENDS

A dividend of £300,000 has been paid during the year (2019: £nil). The Directors do not recommend payment of a final dividend (2019: £nil).

### CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable or political donations in the year (2019: £nil).

### EMPLOYEES

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

### EMPLOYEE DEVELOPMENT AND EQUAL OPPORTUNITIES

The Company's approach is to ensure it recruits and promotes the right people regardless of gender, disability, age, sexual orientation or race, and is committed to a culture of meritocracy whereby career progression is based on ability. It facilitates opportunities for all employees to progress and regularly reviews practices and policies. It regards its people as its most valuable asset and is committed to investing in them to achieve their full potential, without discrimination.

People with disabilities are given equal opportunities wherever they can fulfil the requirements of the job. If an employee becomes disabled during their employment with the Company every reasonable effort is made to enable them to continue their career within the Company.

### DISCLOSURE OF INFORMATION TO AUDITOR

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

### GOING CONCERN

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

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

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2020 the Company reported a net profit after tax of £217,000 (2019: Loss of £130,000) and at 31 December 2020 had cash balances amounting to £1,304,000 (2019: £1,200,000), even after paying a dividend of £300,000 (2019: £nil) to its shareholders. At the date of signing these accounts, the Company still has a similar cash balance and has no external debt.

## Directors' Report (continued)

### GOING CONCERN (continued)

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

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


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

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

### AUDITOR

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

On behalf of the board



RJ Twigg  
Director

23 April 2021  
Windmill Road  
St Leonards on Sea  
East Sussex  
TN38 9BY

## Strategic Report

### BUSINESS REVIEW

The principal activity is the provision of residential property conveyancing and associated services, and will continue to be so for the foreseeable future. The state of the UK housing market therefore has a direct impact on the Company's performance.

The results for the company as set out on page 11 show a pre-tax profit of £274,000 (2019: Loss of £167,000).

2020 was an unprecedented year, dominated by the Covid-19 pandemic. In this context, the Company delivered a robust performance, with profit before tax ahead of last year. The covid-19 pandemic and the first UK lockdown, announced on 23 March 2020, effectively closed the UK housing market for two months. The Company was unable to perform many services during that time. Consequently, management made use of the Government's Coronavirus Job Retention Scheme (CJRS) and placed 54% of its people on furlough during this period. Nevertheless, as the Company fulfils an important role in the housing market and UK economy, it continued to work during the shutdown to ensure that sales which could complete went ahead, and those left on hold were held together.

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

Following the re-opening of the UK housing market in May, activity levels improved considerably, helped by the stamp duty holiday announced by the government from 15 July 2020. Despite various local and national restrictions being imposed by the Government during the second half of the year, top line results remained ahead of the prior year during the period since the first lockdown ended.

Remortgage volumes reduced in 2020 due to fewer instructions (2020: 7,929, 2019: 10,187) which impacted remortgage revenue. The year started strongly with remortgage volumes across H1 exceeding expectations, however as the transactional market surged forward in H2, mortgage lending moved away from remortgage in favour of purchase lending.

The transactional department also saw a decrease in instruction levels (2020: 9,523, 2019: 10,053), and a slight reduction in completion levels at 5,031 (2019: 5,240). In 2019 the Directors restructured the business in order to make it more efficient and increase capacity, in order to return improved profitability in 2020.

The combination of the reduced completion levels due to Covid-19, lockdown and ongoing restrictions resulted in a smaller than anticipated profit, however the year was still an improvement on the loss produced in 2019 due to the steps taken to improve the efficiency of the business.

The Company ended 2020 with its instruction pipeline well ahead of the prior year, which bodes well for a strong start to 2021 as customers seek to conclude transactions before the stamp duty holiday ends on 30 June 2021. Nevertheless, 2021 is likely to be a challenging year, due to continuing Covid-19 lockdowns which could lead to higher unemployment and recession. However, with profitability and good liquidity the Company remains well poised to take advantage of whatever market conditions present.

### Objectives and strategy of the Company

The Company's objectives are to maximise the long term value and revenue for its shareholder and to deliver a high quality and flexible service required to meet the various demands of its clients.

### Operational performance and key performance indicators

The Directors monitor the business by using relevant KPI's. Board meetings are held at which results are discussed in detail. The table below shows KPI's that are monitored for the business.

	2020 £000	2019 £000	Change %
Revenue	6,987	7,110	-2%
Profit/ Loss before tax	274	(167)	+264%
<b>Movement in:</b>			
Transactional Completions	-4%	+1%	
Re-mortgage Completions	-18%	-32%	

## Strategic Report (continued)

### *Risks and uncertainties*

The Company's objective is to appropriately manage all the risks that arise from its activities. The Company has a formal structure for managing risks throughout the Company. This has three elements:

- The Company's risk appetite is documented in detailed policy risk statements, which are reviewed and approved annually by the Board.
- The primary responsibility for managing risk and ensuring appropriate controls are in place lies with the Company's management. The ultimate parent undertaking, Skipton Building Society, and the immediate parent, Connells Limited, through its risk and compliance function provides monitoring and oversight on behalf of the Society's Board.
- The Board Audit Committee of Skipton Building Society oversees the effectiveness of the risk management framework and the control environment through Skipton Group's Internal Audit function, whose reports are also provided to the Company's Board.

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

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

### *Covid-19 pandemic*

The business has been impacted significantly since March 2020 by the Covid-19 pandemic, which resulted in the effective closure of the UK housing market for two months, therefore activity levels have declined significantly. The Company was able to remain open and work volumes did not cease entirely, however, did fall to a low level. There remains significant uncertainty over how long restrictive measures will remain in place, how this will impact customer sentiment and the wider economic impact.

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

On behalf of the board



RJ Twigg  
Director

23 April 2021  
Windmill Road  
St Leonards on Sea  
East Sussex  
TN38 9BY

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

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

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

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

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

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

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

The directors confirm, to the best of their knowledge:

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONVEYANCING DIRECT LIMITED**

## **Opinion**

We have audited the financial statements of Conveyancing Direct Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 30 June 2022, 15 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONVEYANCING DIRECT LIMITED**

**(continued)**

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are: The Estates Agents Act 2019, The Consumer Rights Act 2015, The Consumers, Estate Agents and Redress Act 2007, International Accounting Standards, Companies Act 2006, Data Protection Act 1998, Health and Safety at Work Act 1974, HMRC regulations, The Coronavirus Act 2020 Functions of Her Majesty's Revenue and Customs (Coronavirus Job Retention Scheme), UK Bribery Act, Equality Act and Anti-Money Laundering Regulations.
- We understood how the Company is complying with those frameworks by making enquiries of those charged with governance and management. We understood the potential incentive and ability to override the controls. We considered management's attitude and tone from the top to embed a culture of honesty and ethical behaviour whereby a strong emphasis is placed on fraud prevention which may reduce opportunities for fraud to take place. We further understood the adoption of accounting standards and considered the compliance with the above laws.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by obtaining and reading internal policies, holding enquiries of management and those charged with governance and the in-house legal counsel as to any fraud risk framework within the entity.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
  - Enquiry of management and those charged with governance as to any fraud risk framework within the entity, including whether a formal fraud risk assessment is completed.
  - Enquiry of management, those charged with governance and the entity's in-house legal team around actual and potential litigation and claims.
  - Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations, including communications with regulators and tax authorities.
  - Reading minutes of meetings of those charged with governance.
  - Reading internal audit reports.
  - Enquiry of management over reports to whistleblowing hotlines.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONVEYANCING DIRECT LIMITED (continued)**

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

- Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.
- Data analytics to highlight potentially anomalous transactions in areas of the business which are determined to have an elevated fraud risk.
- Evaluating the business rationale of significant transactions outside the normal course of business, and;
- Challenging judgements made by management. This included corroborating the inputs and considering contradictory evidence.

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

### **Use of our report**

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

*Ernst & Young LLP*

Joanne Mason (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Audit

Luton

Date 27 April 2021

## Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Year ended 2020 £000	Year ended 2019 £000
Revenue	3	6,987	7,110
Employee benefit expenses	6	(3,463)	(3,831)
Administrative expenses	2	<u>(3,250)</u>	<u>(3,459)</u>
<b>Operating profit/ (loss)</b>		<b>274</b>	<b>(180)</b>
Finance income	4	10	22
Finance costs	5	<u>(10)</u>	<u>(9)</u>
<b>Profit/ (loss) before tax</b>		<b>274</b>	<b>(167)</b>
Income tax (expense)/ credit	7	<u>(57)</u>	<u>37</u>
<b>Profit/ (loss) for the year being total comprehensive income/ (expense)</b>		<b><u>217</u></b>	<b><u>(130)</u></b>

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

There were no recognised income and expense items in the current or preceding year other than those reflected in the above Statement of Comprehensive Income.

The notes on pages 15 to 27 form part of these financial statements.

## Statement of Financial Position

AT 31 DECEMBER 2020

	Notes	£000	31 December 2020 £000	£000	31 December 2019 £000
<b>Non-current assets</b>					
Property, plant and equipment	9	29		65	
Right of Use Assets	10	455		575	
Deferred tax assets	11	28		25	
<b>Total non-current assets</b>			512		665
<b>Current assets</b>					
Trade and other receivables	12	275		428	
Cash and cash equivalents		1,304		1,200	
Tax asset		29		33	
<b>Total current assets</b>			1,608		1,661
<b>Total assets</b>			<b>2,120</b>		<b>2,326</b>
<b>Current liabilities</b>					
Trade and other payables	13	779		761	
Provisions	14	25		25	
Lease Liabilities	19	127		119	
<b>Total current liabilities</b>			931		905
<b>Non-current liabilities</b>					
Lease Liabilities	19	335		459	
Provisions	14	50		75	
<b>Total non-current liabilities</b>			385		534
<b>Total liabilities</b>			<b>1,316</b>		<b>1,439</b>
<b>Equity – attributable to equity holders of the Company</b>					
Share capital	15	-		-	
Retained earnings	15	804		887	
<b>Total equity</b>			804		887
<b>Total equity and liabilities</b>			<b>2,120</b>		<b>2,326</b>

These accounts were approved by the Board of Directors on 23 April 2021 and signed on its behalf by:



RJ Twigg  
Director

Company registration number: 04152278

The notes on pages 15 to 27 form part of these financial statements.

## Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2020	-	887	887
Total income for the year	-	217	217
Dividends paid	-	(300)	(300)
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>804</b>	<b>804</b>
Balance at 1 January 2019	-	1,021	1,021
Total income for the year	-	(130)	(130)
Prior Year Adjustment	-	(4)	(4)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>887</b>	<b>887</b>

The notes on pages 15 to 27 form part of these financial statements.

## Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Year ended 2020 £000	Year ended 2019 £000
<b>Cash flows from operating activities</b>			
Profit/ (loss) for the year		217	(130)
Adjustments for:			
Depreciation and impairment of tangible assets	9	44	68
Depreciation and impairment of ROU assets	10	120	120
Profit on disposal of property, plant and equipment		7	16
Finance income	4	(10)	(22)
Finance expense	5	10	9
Tax expense/(credit)	7	57	(37)
<b>Operating profit before changes in working capital</b>		<b>445</b>	<b>24</b>
Decrease in trade receivables		39	43
Decrease in other receivables and prepayments		115	406
Increase/ (decrease) in trade and other payables		19	(95)
(Decrease)/ increase in provisions		(25)	25
<b>Cash inflow from operations</b>		<b>593</b>	<b>403</b>
Tax paid		(56)	(34)
<b>Net cash inflow from operating activities</b>		<b>537</b>	<b>369</b>
<b>Cash flows from investing activities</b>			
Interest received	4	10	22
Purchases of property, plant and equipment	9	(17)	(7)
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(7)</b>	<b>15</b>
<b>Cash flows from financing activities</b>			
Payment of principal portion of lease liabilities		(126)	(125)
Interest paid		-	(9)
Dividends paid		(300)	-
<b>Net cash outflow from financing activities</b>		<b>(426)</b>	<b>(134)</b>
<b>Net increase in cash and cash equivalents</b>		<b>104</b>	<b>250</b>
Cash and cash equivalents at 1 January		1,200	950
<b>Cash and cash equivalents at 31 December</b>		<b>1,304</b>	<b>1,200</b>

The notes on pages 15 to 27 form part of these Financial Statements.

## NOTES TO FINANCIAL STATEMENTS

### 1. Accounting policies

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

#### a) Basis of accounting

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

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

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

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

#### Measurement convention

The financial statements are prepared on the historical cost basis.

#### Currency presentation

These financial statements are presented in pounds sterling and, except where otherwise indicated, have been rounded to the nearest one thousand pounds. The functional currency is pounds sterling.

#### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 5 to 6. The financial position of the Company, its cash flows, and liquidity position are shown on pages 10 to 13. In addition, the Directors' Report and notes to these financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

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

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2020 the Company reported a net profit after tax of £217,000 (2019: Loss of £130,000) and at 31 December 2020 had cash balances amounting to £1,304,000 (2019: £1,200,000), even after paying a dividend of £300,000 (2019: £nil) to its shareholders. At the date of signing these accounts, the Company still has a similar cash balance and has no external debt.

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

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

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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

#### Going concern *(continued)*

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

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

#### b) Revenue recognition

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

- Conveyancing income and remortgage services is recognised on the date of completion of the underlying transaction at which point all performance obligations are considered to have been fulfilled. Invoices are usually payable on completion.

#### c) Property, plant and equipment

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

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

Office Equipment	-	5 to 10 years
Land & Buildings	-	5 to 10 years
Motor Vehicles	-	4 years
Leasehold premises	-	Over the unexpired term of the lease in equal instalments

All depreciation is charged on a straight-line basis.

#### d) Trade and other receivables

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

#### e) Trade and other payables

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

#### f) Taxation

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

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.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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

#### g) Employee benefits

The Company operates a Group Personal Pension Plan. Contributions are charged to the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme.

#### h) Leases

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

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

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

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

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

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

#### i) Provisions for liabilities and charges

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

#### j) Cash and cash equivalents

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

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

#### k) Net financing costs

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

#### l) Government Grants

Government grants are recognised where there is a 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 period 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.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 2. Expenses and auditor's remuneration

	Year ended 2020 £000	Year ended 2019 £000
Profit/ (loss) after tax is stated after charging/ (crediting) the following:		
Depreciation of property, plant and equipment	44	68
Staff costs (see note 6)	3,463	3,831
Auditor's remuneration and expenses:		
Audit of these financial statements	<u>13</u>	<u>11</u>

### 3. Revenue

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

2020	Products and services transferred at a point in time £000	Products and services transferred over time £000	Total 2020 £000
Conveyancing fees	6,084	-	6,084
Other fees and commissions	<u>903</u>	<u>-</u>	<u>903</u>
	<u>6,987</u>	<u>-</u>	<u>6,987</u>
2019	Products and services transferred at a point in time £000	Products and services transferred over time £000	Total 2019 £000
Conveyancing fees	6,440	-	6,440
Other fees and commissions	<u>670</u>	<u>-</u>	<u>670</u>
	<u>7,110</u>	<u>-</u>	<u>7,110</u>

### 4. Finance income

	Year ended 2020 £000	Year ended 2019 £000
Interest on bank deposits	<u>10</u>	<u>22</u>

### 5. Finance costs

	Year ended 2020 £000	Year ended 2019 £000
Interest on lease liabilities	<u>(10)</u>	<u>(9)</u>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 6. Staff numbers and costs

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

	Year ended 2020 No.	Year ended 2019 No.
Directors	5	7
Administration	130	141
	<b>135</b>	<b>148</b>

The aggregate payroll costs of these persons were as follows:

	Year ended 2020 £000	Year ended 2019 £000
Wages and salaries	3,008	3,403
Social security costs	262	265
Other pension costs	193	163
	<b>3,463</b>	<b>3,831</b>

Wages and salaries are stated after crediting £275,000 (2019: £nil) of government grants received under the Coronavirus Job Retention Scheme (CJRS). Further details are provided in note 20.

Directors' emoluments	£000	£000
Directors' emoluments	245	244
Company contributions to defined contribution pension plans	11	9
	<b>256</b>	<b>253</b>

Two (2019: four) directors are not directly remunerated by the Company. The notional allocation of cost to the Company for their services was £5,217 (2019: £18,855).

The aggregate of emoluments of the highest paid Director was £129,000 (2019: £77,000).

Contributions to the defined contribution pension schemes of the Directors totalled £10,756 (2019: £9,167) and are included in the above total.

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

### 7. Tax Expense

#### a) Analysis of expense in the year at 19% (2019: 19%)

	Year ended 2020 £000	Year ended 2019 £000
<b>Current tax expense/(credit)</b>		
Current tax at 19% (2019: 19%)	55	(27)
Adjustment for prior years	5	(9)
Total current tax	<b>60</b>	<b>(36)</b>
<b>Deferred tax (income)</b>		
Current year	-	(1)
Effect of changes in tax rates	(3)	-
Total deferred tax	<b>(3)</b>	<b>(1)</b>
<b>Tax expense/ (credit)</b>	<b>57</b>	<b>(37)</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 7. Tax Expense (continued)

#### b) Factors affecting income tax expense in the year

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

	Year ended 2020 £000	Year ended 2019 £000
Profit/(loss) before tax	274	(167)
Tax on profit/loss at UK standard rate of 19% (2019: 19%)	52	(32)
Effects of:		
Adjustment to tax expense in respect of prior periods	5	(9)
Expenses not deductible for tax purposes	3	3
Effect of other tax rates / credits	-	-
Other	(3)	1
<b>Tax expense/credit</b>	<b>57</b>	<b>(37)</b>

### 8. Dividends

	Year ended 2020 £000	Year ended 2019 £000
Amounts recognised as distributions to equity holders in the period:		
Dividends for the year paid	300	-

### 9. Property, plant and equipment

	Land and buildings £000	Office equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At 1 January 2020	130	1,070	-	1,200
Additions	-	17	-	17
Disposals	(7)	-	-	(7)
<b>At 31 December 2020</b>	<b>123</b>	<b>1,087</b>	<b>-</b>	<b>1,210</b>
<b>Accumulated depreciation and impairment</b>				
At 1 January 2020	115	1,020	-	1,135
Depreciation charge for the year	6	38	-	44
Disposals	2	-	-	2
<b>At 31 December 2020</b>	<b>123</b>	<b>1,058</b>	<b>-</b>	<b>1,181</b>
<b>Carrying amounts</b>				
At 1 January 2020	15	50	-	65
<b>At 31 December 2020</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>29</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 9. Property, plant and equipment *(continued)*

	Land and buildings £000	Office equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At 1 January 2019	123	1,070	25	1,218
Additions	7	-	-	7
Disposals	-	-	(25)	(25)
<b>At 31 December 2019</b>	<b>130</b>	<b>1,070</b>	<b>-</b>	<b>1,200</b>
<b>Accumulated depreciation and impairment</b>				
At 1 January 2019	106	964	9	1,079
Depreciation charge for the year	9	56	3	68
Disposals	-	-	(12)	(12)
<b>At 31 December 2019</b>	<b>115</b>	<b>1,020</b>	<b>-</b>	<b>1,135</b>
<b>Carrying amounts</b>				
At 1 January 2019	17	106	16	139
<b>At 31 December 2019</b>	<b>15</b>	<b>50</b>	<b>-</b>	<b>65</b>

### 10. Right-of-use assets

	Land and buildings Year ended 2020 £000	Land and buildings Year ended 2019 £000
<b>Cost</b>		
At 1 January	643	510
Additions	-	187
Disposals	-	(54)
Modifications	-	-
<b>At 31 December</b>	<b>643</b>	<b>643</b>
<b>Accumulated depreciation and impairment</b>		
At 1 January	68	-
Depreciation charge for the year	120	120
Disposals	-	(52)
<b>At 31 December</b>	<b>188</b>	<b>68</b>
<b>Carrying amounts</b>		
At 1 January	575	510
<b>At 31 December</b>	<b>455</b>	<b>575</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 11. Deferred Tax

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. As this rate was not substantially enacted at the year end, deferred tax has been calculated based on the prevailing rate of 19%. The estimated/maximum impact of the new 25% rate on the deferred tax asset would be an increase of £9,000.

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

	Accelerated capital allowances 31 Dec 2020 £000	Accelerated capital allowances 31 Dec 2019 £000
At 1 January	25	23
Adjustment in respect of prior periods	-	-
Income statement credit	3	2
<b>At 31 December</b>	<b>28</b>	<b>25</b>

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.

### 12. Trade and other receivables

	31 Dec 2020 £000	31 Dec 2019 £000
Trade receivables	113	161
Amounts due from group undertakings	35	193
Prepayments and accrued income	148	104
Bad debt provision	(21)	(30)
	<b>275</b>	<b>428</b>

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

	31 Dec 2020 £000 Gross	31 Dec 2020 £000 Impairment	31 Dec 2019 £000 Gross	31 Dec 2019 £000 Impairment
Not overdue	31	-	29	-
Overdue 120 days plus	82	(21)	132	(30)
	<b>113</b>	<b>(21)</b>	<b>161</b>	<b>(30)</b>

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

	2020 £000	2019 £000
At 1 January	(30)	(58)
Provisions made during the year	-	-
Provisions released during the year	(9)	(28)
<b>At 31 December</b>	<b>(21)</b>	<b>(30)</b>

The Company does not require collateral in respect of trade and other receivables. All overdue amounts have been fully provided.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 13. Trade and other payables

	31 Dec 2020 £000	31 Dec 2019 £000
Trade payables	47	10
Amounts owed to group undertakings	430	333
Other taxes and social security costs	200	147
Accruals and deferred income	91	266
Other payables	11	10
	<u>779</u>	<u>761</u>

### 14. Provisions

	2020 Total £000	2019 Total £000
At 1 January	100	75
Transfers made during the year	-	(50)
Provisions made during the year	25	75
Released during the year	(38)	-
Provisions used during the year	(12)	-
<b>At 31 December</b>	<u>75</u>	<u>100</u>
Due within one year or less	25	25
Due after more than one year	50	75
	<u>75</u>	<u>100</u>

### 15. Share capital

	Year ended 2020 £000	Year ended 2019 £000
<b>Authorised, Allotted, called up and fully paid</b>		
1 (2019: 1) Ordinary share of £1 each	<u>-</u>	<u>-</u>

#### Management of capital

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

	Year ended 2020 £000	Year ended 2019 £000
<b>Capital</b>		
Ordinary shares	-	-
Retained earnings	804	887
	<u>804</u>	<u>887</u>

The Company's objectives when managing capital are:

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

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

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 16. Related party transactions

The Company has related party relationships within the Skipton Group as detailed below.

	Ultimate parent undertaking £000	2020 Immediate parent undertaking £000	Other group companies £000	Ultimate parent undertaking £000	2019 Immediate parent undertaking £000	Other group companies £000
<b>a) Sales of goods and services</b>						
Fees receivable	1,184	-	-	1,357	-	-
<b>Total</b>	<b>1,184</b>	<b>-</b>	<b>-</b>	<b>1,357</b>	<b>-</b>	<b>-</b>
<b>b) Purchase of goods and services</b>	-	-	(1,717)	-	-	(1,515)
<b>Commissions payable</b>	-	-	(1,717)	-	-	(1,515)
<b>c) Outstanding balances</b>						
Receivables from related parties	35	-	-	193	-	-
Payables to related parties	-	(430)	-	-	(333)	-
<b>Total</b>	<b>35</b>	<b>(430)</b>	<b>-</b>	<b>193</b>	<b>(333)</b>	<b>-</b>

### 17. Defined contribution pension scheme

The Company operates a Group Personal Pension Plan, the assets of which are held separately from those of the Company, as independently administered funds. The amount charged to the Statement of Comprehensive Income in respect of the Group Personal Pension Plan is the contribution payable in the year which amounted to £192,879 (2019: £163,486). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

### 18. Capital Commitments

There were no capital commitments at the year end (2019: £nil).

## 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.

	Year ended 2020 £000	Year ended 2019 £000
<b>Cost</b>		
At 1 January	578	510
Additions	-	184
Interest charged	11	9
Lease payments	(127)	(125)
<b>At 31 December</b>	<b>(462)</b>	<b>(578)</b>

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

	£000	£000
<i>Lease liabilities are repayable:</i>		
In not more than 3 months	30	30
In more than 3 months but less than 1 year	89	89
In more than 1 year but less than 5 years	287	348
In more than 5 years	56	111
	<b>462</b>	<b>578</b>

The discount rates for the leases disclosed above ranged from 2.0% to 3.5%. 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.

### 20. Government Grants

	2020 £000	2019 £000
At 1 January	-	-
Received during the year	275	-
Released to the income statement	(275)	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>
Current	-	-
Non-current	-	-

Government grants have been received relating to the Government Coronavirus Job Retention Scheme, within employee benefit expenses in note 6. During the year the Company also deferred its Q2 VAT payment of £244,000, but this was paid before the year end.

### 21. Financial instruments

#### *Financial risks*

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity.

The principal financial risks to which the Company is exposed are liquidity risk, market risk and credit risk, these are monitored on a regular basis by management. Each of these is considered below.

#### *Liquidity risk*

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

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

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 21. Financial instruments (continued)

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

2020	Carrying amount £000	Contractual cash flows £000	In not more than 3 months £000	In more than 3 months but less than 1 year £000	In more than 1 year but less than 5 years £000	In more than 5 years £000
Trade and other payables	349	349	349	-	-	-
Amounts owing to group companies	430	430	430	-	-	-
Lease liabilities	462	520	32	95	393	-
<b>Total</b>	<b>1,241</b>	<b>1,299</b>	<b>811</b>	<b>95</b>	<b>393</b>	<b>-</b>

2019	Carrying amount £000	Contractual cash flows £000	In not more than 3 months £000	In more than 3 months but less than 1 year £000	In more than 1 year but less than 5 years £000	In more than 5 years £000
Trade and other payables	433	433	433	-	-	-
Amounts owing to group companies	333	333	333	-	-	-
Lease liabilities	578	647	32	95	441	79
<b>Total</b>	<b>1,344</b>	<b>1,413</b>	<b>798</b>	<b>95</b>	<b>441</b>	<b>79</b>

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.

#### **Interest rate risk**

The Company is not exposed to interest rate risk as it has no interest bearing liabilities.

#### **Currency risk**

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

#### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Based on historic default rates, the Company believes that no impairment provision is necessary in respect of most of its trade receivables. For maximum credit exposure see note 11. Management carefully manages its exposure to credit risk.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 21. Financial instruments (continued)

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

	Year ended 2020 £000	Year ended 2019 £000
Cash and cash equivalents	1,304	1,200
Trade receivables	113	161
Amounts due from group undertakings	35	193
	<b>1,452</b>	<b>1,554</b>

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

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

	2020 £000	2019 £000
Individual customers	82	132
Major lenders	31	29
	<b>113</b>	<b>161</b>

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

The cash and cash equivalents consist only of bank balances and are held with an institution with an A+ credit rating.

#### **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 Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

### 22. Ultimate Parent Undertaking

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

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