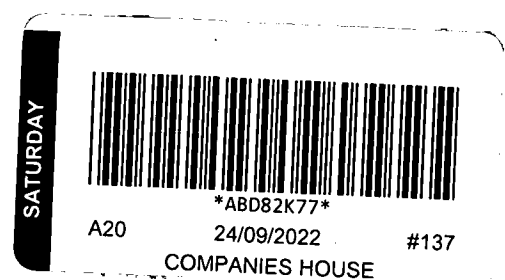


SHARMAN QUINNEY HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2021

(Registered Number 04174227)



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Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2021.

INTRODUCTION AND OVERVIEW

Sharman Quinney Holdings Limited is a private limited company registered in England and Wales, registered number: 04174227. The registered office address is Cumbria House, 16-20 Hockliffe Street, Leighton Buzzard, Bedfordshire, LU7 1GN.

The principal activity of the Company is the provision of residential estate agency and associated services, and will continue to be so for the foreseeable future.

The Company made a profit before tax of £2,892,000 for the year (2020: £997,000).

DIVIDENDS

During the year interim dividends of £2,000,000 (2020: £650,000) were paid. The Directors do not propose a final dividend (2020: £nil).

DIRECTORS

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

RS Shipperley
DC Livesey
MA Sharman
RJ Twigg
DK Plumtree

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.

CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable donations in 2021 (2020: £nil). The Company made no political donations in 2021 (2020: £nil).

EMPLOYEE DEVELOPMENT AND EQUAL OPPORTUNITIES

The Company's approach is to ensure it recruits and promotes the right people regardless of gender, disability, age, sexual orientation or race, and it 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.

The company has taken advantage of the small companies' exemptions in presenting this Directors report.

GOING CONCERN

The Directors have undertaken a thorough assessment of the Company's financial forecasts to 30 June 2023, 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 an increased 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 2021.

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2021 the Company reported a net profit before tax of £2,892,000 (2020: £997,000) and at 31 December 2021 had cash balances amounting to £2,274,000 (2020: £1,813,000), even after paying a dividend of £2,000,000 (2020: £650,000) 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 potential market shocks, including the ongoing impact of the Covid-19 pandemic and its potential impact on business volumes. 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.

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


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

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

RJ Twigg
Director



07 April 2022

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

Strategic Report

BUSINESS REVIEW

The results for the year, as shown in the Income Statement, show a pre-tax profit of £2,892,000 (2020: £997,000).

After the unprecedented year that was 2020, 2021 saw a blistering market with the Company returning an exceptional level of pre-tax profits. The momentum following lockdown one swept through the property market and though the COVID-19 pandemic continued to dominate our daily lives, pent up demand, cheap borrowing and the Stamp Duty Land tax holiday boosted the market to record levels. The Company maintained a vigorous approach in supporting the welfare of its staff and customers when it came to the issues created by COVID-19, but found a continued strategy to operate in an efficient way despite the distractions.

The work and the values employed by the Company in protecting its staff and customers throughout the pandemic paid off and was a major factor in its overriding performance in 2021. The Company continued to brief all its employees on the best practices required on how to best work with the requirements of dealing with COVID-19 and acted swiftly whenever a break out occurred and it also continued to invest heavily in personal protective equipment.

Despite confirmed restrictions imposed by the Government, the housing market saw an exceptional demand for home ownership and the same in the rental sector, which often created competition from buyers and tenants for stock.

Instructions levels however saw a downturn throughout the year compared to 2020 with overall stock levels seeing a reduction, however the Company managed to retain a strong market share.

The Company's Lettings business experienced very similar trading as seen in the sales sector with strong demand and the challenges around instructions, but still saw a healthy return on income at the same time maintaining its market share.

Following a pragmatic approach to costs by the Management team in 2020, 2021 continued to benefits from some cost savings. Costs did increase during 2021, but were borne in response to help strong trading; payments to staff on commissions and bonuses and a further drive on recruitment.

The sales pipeline for the beginning of 2021 naturally reduced as the surge of year-end completions pushed through at exceptional levels, however it still remains at a higher level than it would normally be. 2022 is not expected to be as free flowing as 2021, however demand for stock throughout is very likely to remain high and instructions levels are expected to rise, so it will be fair to assume that it we will still see active market conditions.

The business has strong liquidity levels and being a diverse business is a major strength for future performance and growth.

Operational Review

	2021 £000	2020 £000	Change %
Total fees and commissions	10,127	6,804	49%
EBITDA	3,121	1,195	161%
Profit from operations	2,708	835	224%
Exchanges (second hand)	1,540	1,166	32%

Objectives and strategy of the Company

The Company's objectives are to maximise the long term value and revenue for the shareholders as well as providing a sustainable and high quality service for all of its internal and external customers.

Operational performance and key performance indicators

The Directors monitor the business at regular board meetings throughout the year.

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 Company and its ultimate parent undertaking, Skipton Building Society, through their risk and compliance functions provide monitoring and oversight on behalf of the Company's and the Society's Boards.
- The Board Audit Committee of Skipton Building Society oversees the effectiveness of the risk management framework and the control environment through Skipton Group's Internal Audit function, whose reports are also provided to the Company's Board.

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

Covid-19 pandemic

The business was impacted in 2020 by the Covid-19 pandemic, which resulted in the closure of most branches and head office premises for two months and activity levels declined significantly during that period. Partly as a result of UK Government initiatives, the housing market was buoyant during the majority of 2021 and the Company took advantage of that in producing excellent results. Nevertheless, whilst the successful vaccination programme appears to have mitigated the Covid-19 risk to some extent, there remains uncertainty over the future path of the pandemic. Should further restrictive measures be required, these may impact customer sentiment and the wider economic recovery.

The Directors continue to monitor the progress of the pandemic and have taken a number of actions and contingency planning to safeguard the future profitability and viability of the business and, through the business continuity planning team, continue to 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. The Company continues to invest 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.

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. 2021 was an excellent year for the UK housing market with record numbers of transactions, but the end of the stamp duty holiday, the continuing Covid-19 pandemic and geo-political uncertainty could impact market sentiment and transaction levels. However, the Board believes that the medium to long term outlook for the UK housing market remains positive, driven partially by the ongoing imbalance between the demand for properties against the available supply and the availability of affordable mortgage finance.

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

Competitors

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

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

Regulatory compliance

Our businesses operate across a number of regulatory environments, which continue to 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 Company's ability to carry out certain activities.

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

Strategic Report *(continued)*

IT Infrastructure and information security

The Company depends on efficient systems for its day to day operations and maintenance of its financial records. A significant interruption to its IT services, or breach of data security, would have an adverse impact on the ability to trade. The Company's systems could also be subject to the increasing risk of a cyber-attack.

The Company continues to invest in its IT and data security systems to ensure that its systems adequately support its expanding operations and address the changing needs of the business. Regular penetration and business recovery testing is carried out. Regular training is provided to all colleagues to advise them of good security procedures and data protection requirements.

Financial misstatement and fraud

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

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

Capital

In common with other businesses in the sector, the Company is relatively highly operationally geared. Trading performance is sensitive to transaction volumes in the UK 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 Company's policy is to retain sufficient cash and capital resources to allow it to withstand market volatility and achieve its corporate objectives.

People

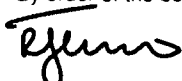
Estate agency is very much a people business. As such, the Company is reliant on the ability, training, skills and motivation of its people. A key risk to the business is the possibility of losing people, particularly senior managers who have extensive knowledge and experience.

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

Customers

The Company is firmly committed to delivering good outcomes for all customers. This means ensuring that the range of products and services offered meet the needs of customers, that the 'end to end' processes for delivering these services are appropriate and effective, and that our people have our customers' best interests at heart at all times. We take steps to develop and maintain this ethos within the culture of the business overall.

By order of the board



RJ Twigg
Director

07 April 2022

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

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not continue in business

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

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

The directors confirm, to the best of their knowledge:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHARMAN QUINNEY HOLDINGS LIMITED

Opinion

We have audited the financial statements of Sharman Quinney Holdings Limited for the year ended 31 December 2021 which comprise the Statement of comprehensive income, the Statement of financial position and the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 June 2023 (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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHARMAN QUINNEY HOLDINGS LIMITED *(continued)*

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 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 8, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHARMAN QUINNEY HOLDINGS LIMITED *(continued)*

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.

- 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 Sharman Quinney Holdings Limited is complying with those frameworks by making enquiries of those charged with governance and management. We understood the potential incentive and ability to override the controls. We considered management's attitude and tone from the top to embed a culture of honesty and ethical behaviour whereby a strong emphasis is placed on fraud prevention which may reduce opportunities for fraud to take place. We further understood the adoption of accounting standards and considered the compliance with the above laws.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by obtaining and reading internal policies, holding enquiries of management and those charged with governance and the in-house legal counsel as to any fraud risk framework within the entity.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved
 - Enquiry of management and those charged with governance as to any fraud risk framework within the entity, including whether a formal fraud risk assessment is completed.
 - Enquiry of management, those charged with governance and the entity's in-house legal team around actual and potential litigation and claims.
 - Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations, including communications with regulators and tax authorities.
 - Reading minutes of meetings of those charged with governance.
 - Reading internal audit reports.
 - Enquiry of management over reports to whistleblowing hotlines.
 - Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
 - Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.
 - 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: 13 April 2022

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Year ended 2021 £000	Year ended 2020 £000
Revenue	3	10,127	6,804
Other operating income	4	85	79
Employee benefit expenses	7	(5,268)	(3,854)
Administrative expenses		(2,236)	(2,194)
Profit from operations		2,708	835
Financial income	5	216	205
Finance expense	6	(32)	(43)
Profit before tax		2,892	997
Taxation	8	(520)	(173)
Total profit for the year being total comprehensive income		2,372	824

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

There were no recognised income and expense items in the current year (2020: £nil) other than those reflected above.

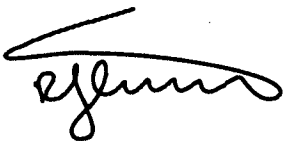
The notes on pages 15 to 28 form part of these financial statements.

Statement of Financial Position

AT 31 DECEMBER 2021

	Notes	£000	31 December 2021 £000	£000	31 December 2020 £000
Non-current assets					
Property, plant and equipment	9	497		580	
Intangible assets	10	256		275	
Right of use assets	11	1,370		1,552	
Investments	12	-		-	
Total non-current assets			<u>2,123</u>		<u>2,407</u>
Current assets					
Trade and other receivables	14	497		437	
Cash and cash equivalents	15	2,274		1,813	
Tax asset		-		15	
Deferred tax asset	13	12		7	
Total current assets			<u>2,783</u>		<u>2,272</u>
Total assets			<u>4,906</u>		<u>4,679</u>
Current liabilities					
Trade and other payables	16	1,655		1,452	
Tax liability		9		-	
Provisions	18	147		185	
Lease Liabilities	17	267		269	
Total current liabilities			<u>2,078</u>		<u>1,906</u>
Non-current liabilities					
Trade and other payables	16	18		12	
Provisions	18	79		148	
Lease Liabilities	17	1,143		1,397	
Total non-current liabilities			<u>1,240</u>		<u>1,557</u>
Total liabilities			<u>3,318</u>		<u>3,463</u>
Share capital	19	-		-	
Other reserve	19	(750)		(750)	
Retained earnings	19	2,338		1,966	
Total equity			<u>1,588</u>		<u>1,216</u>
Total equity and liabilities			<u>4,906</u>		<u>4,679</u>

These accounts were approved by the Board of Directors on 07 April 2022 and signed on its behalf by:



RJ Twigg
Director

Company registration number: 04174227

The notes on pages 15 to 28 form part of these accounts.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £000	Other reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2021	-	(750)	1,966	1,216
Total comprehensive profit for the year	-	-	2,372	2,372
Transfer investment to other reserve	-	-	-	-
Dividends paid	-	-	(2,000)	(2,000)
Balance at 31 December 2021	-	(750)	2,338	1,588
Balance at 1 January 2020	-	(750)	1,792	1,042
Total comprehensive profit for the year	-	-	824	824
Transfer investment to other reserve	-	-	-	-
Dividends paid	-	-	(650)	(650)
Balance at 31 December 2020	-	(750)	1,966	1,216

The notes on pages 15 to 28 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Sharman Quinney Holdings 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 in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1q).

Transition to FRS 101

The Company transitioned from IFRS to FRS 101 Reduced Disclosure Framework as at 1 January 2021. The accounting policies applied under the previous accounting framework are not materially different to FRS 101 and as a result, no transitional adjustments were required in equity or comprehensive income as at the transition date nor the year ended 31 December 2021.

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

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

The Company's financial statements are consolidated into the consolidated financial statements of Connells Limited (the Company's immediate parent undertaking) as at 31 December 2021. Those accounts may be obtained on request from Cumbria House, 16-20 Hockliffe Street, Leighton Buzzard, Bedfordshire, United Kingdom, LU7 1GN.

The Company's financial statements are consolidated into the consolidated financial statements of Skipton Building Society (the Company's ultimate parent undertaking) as at 31 December 2021. Those accounts are available online at www.skipton.co.uk/about-us or on request from The Secretary, Skipton Building Society, The Bailey, Skipton, North Yorkshire, BD23 1DN.

Adoption of new and revised UK Financial Reporting Standards

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

- *COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)*

Standards issued but not yet effective

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

- *IFRS 17 Insurance Contracts;*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1);*
- *Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37);*
- *Fees in the '10 per cent' test for derecognition of financial liabilities (Amendments to IFRS 9);*
- *Definition of Accounting Estimates (Amendments to IAS 8);*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2); and*
- *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12).*

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

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 are set out in the Directors' Report on page 3. The financial position of the Company and liquidity position are shown on pages 12 to 14. 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.

The Directors have undertaken a thorough assessment of the Company's financial forecasts to 30 June 2023, including the continuing impact of Covid-19 on its operations within the UK. 2021 was an excellent year for the UK housing market and the Company's ability to capitalise on the favourable market conditions enabled it to report a significantly increased profit for the year.

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2021 the Company reported a net profit before tax of £2,892,000 (2020: £997,000) and at 31 December 2021 had cash balances amounting to £2,274,000 (2020: £1,813,000), even after paying a dividend of £2,000,000 (2020: £650,000) to its shareholders. At the date of signing these accounts, the Company still has a similar cash balance and has no external debt.

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 2021.

In forming their view on going concern, the Directors continue to perform extensive forecasting to model potential market shocks, including the ongoing impact of the Covid-19 pandemic and its potential impact on business volumes. 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.
- Taking mitigating actions to reduce headcount, capital expenditure and marketing spend.

The Company's financial strength means that it is well positioned to withstand any further downturn. As at 31 December 2021 the Company has no long term debt 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 the total invoiced sales of the Company and is recognised as follows:

- Estate Agency sales commissions, new homes, 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.
- Revenue from mortgage procurement fees is recognised on completion of the mortgage transaction, which is when all contractual obligations have been fulfilled. Invoices are usually payable within 30 days of the completion.
- 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.
- All other income is recognised in line with when contractual obligations have been met.

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:

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

c) Property, plant and equipment *(continued)*

Freehold buildings	-	Lower of 50 years or estimated useful life of premises
Leasehold premises	-	5 years
Office equipment	-	5 years
Motor vehicles	-	25% of net book value

All depreciation is charged on a straight-line basis, except motor vehicles, which is calculated on a reducing balance basis. Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

d) 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. Negative goodwill arising on acquisition is recognised directly in the income statement.

e) Impairment

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

The recoverable amount of goodwill is determined as the higher of its fair value less costs to sell and its value in use. The value in use calculations are carried out by discounting the future cash flows of the cash generating unit ("CGU"), and comparing this to its value in use.

Future cash flows are based upon approved profit budgets for the next five years (adjusted for depreciation and amortisation) and assumed growth thereafter for the next 10 years of 2.5% (2020: 2.5%). The Company estimates discount rates based on a current cost of capital of the CGU. Impairment of goodwill is recognised where the present value of future cash flows of the CGU is less than its carrying value. A fifteen year time horizon has been used to reflect that CGU's are held for the long term.

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

f) Intangible assets

Intangible assets represent acquired customer contracts and relationships, 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 life is as follows:

Customer contracts and relationships	-	1 to 4 years
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g) Trade and other receivables

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.

h) Trade and other payables

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

i) Leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

i) Leases *(continued)*

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

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

j) 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 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.

k) Employee benefit

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income as incurred.

l) 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 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.

m) 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.

n) Net financing costs

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

o) Investments

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 are carried out by management. The Company regularly reviews its subsidiary investments for objective evidence of impairment.

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 Company makes estimates and assumptions regarding the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

Provisions

Certain critical judgments have been made in applying the Company's accounting policies in relation to closed branch provisions (note 18), provision for clawback of insurance commission (note 18), and impairment provisions on trade receivables (note 14).

Lease term

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

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

2. Expenses and Auditor's remuneration

	Year ended 2021 £000	Year ended 2020 £000
Profit after tax is stated after charging/ (crediting) the following:		
Impairment loss on trade receivables	22	26
Depreciation of property, plant and equipment	119	144
Rentals payable under operating leases	304	349
(Profit) on disposal of property, plant and equipment	(5)	(20)
Business rates relief (see note 23)	(62)	(26)
Auditor's remuneration and expenses:		
Audit of these financial statements	<u>25</u>	<u>16</u>

In 2021 the increased auditor's remuneration of £7,000 (2020: £nil) was borne by Connells Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3. Revenue

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

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	4,960	-	4,960
Commissions earned on property lettings	1,673	-	1,673
Income from sale of financial services products	1,653	388	2,041
Conveyancing income	1,411	-	1,411
Other income and commissions	42	-	42
	9,739	388	10,127

2020	Products and services transferred at a point in time £000	Products and services transferred over time £000	Total 2020 £000
Commissions earned on property sales	3,069	-	3,069
Commissions earned on property lettings	1,587	-	1,587
Income from sale of financial services products	1,013	269	1,282
Conveyancing income	866	-	866
Other income and commissions	-	-	-
	6,535	269	6,804

4. Other operating income

	Year ended 2021 £000	Year ended 2020 £000
Rent receivable under operating leases	18	33
Profit on disposal of property, plant and equipment	5	20
Government grants (see note 23)	62	26
	85	79

5. Financial income

	Year ended 2021 £000	Year ended 2020 £000
Interest on bank deposits	26	15
Dividend received	190	190
	216	205

6. Finance cost

	Year ended 2021 £000	Year ended 2020 £000
Interest on lease liabilities	32	43
	32	43

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. Staff numbers and costs

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

	Year ended 2021 No.	Year ended 2020 No.
Directors	5	5
Sales and administration	129	148
	<u>134</u>	<u>153</u>

The aggregate payroll costs of these persons was as follows:

	£000	£000 Restated
Wages and salaries	4,673	3,392
Social security costs	486	366
Other pension costs	109	96
	<u>5,268</u>	<u>3,854</u>

Wages and salaries are stated after crediting £nil (2020: £497,000) of government grants received under the Coronavirus Job Retention Scheme (CJRS). Further details are provided in note 23.

Directors' emoluments

	Year ended 2021 £000	Year ended 2020 £000
Directors' emoluments	119	116
Contributions to defined contribution pension schemes	6	11
	<u>125</u>	<u>127</u>

The aggregate of emoluments of the highest paid Director was £125,000 (2020: £127,000). Included within this total were contributions of £6,000 to defined contribution pension schemes (2020: £11,000). Four (2020: four) of the directors are not directly remunerated by the Company. The notional allocation of cost to the Company for their services was £103,806 (2020: £34,221).

8. Taxation

a) Analysis of expense in the year at 19% (2020: 19%)

	Year ended 2021 £000	Year ended 2020 £000
Current tax expense		
Current tax at 19% (2020: 19%)	528	173
Adjustment for prior years	(3)	-
Total current tax	<u>525</u>	<u>173</u>
Deferred tax charge		
Current year	(14)	1
Effect of changes in tax rates	11	(1)
Adjustment for prior years	(2)	-
Total deferred tax	<u>(5)</u>	<u>-</u>
Income tax expense	<u>520</u>	<u>173</u>

b) Factors affecting current tax expense in the year

The tax assessed in the Income Statement is lower (2020: lower) than the standard UK corporation tax rate because of the following factors:

	Year ended 2021 £000	Year ended 2020 £000
Profit before tax	2,892	997
Tax on profit at UK standard rate of 19% (2020: 19%)	549	190
Effects of:		
Tax rate changes	(2)	(1)
Expenses not deductible for tax purposes	-	20
Adjustment to tax expense in respect of prior periods	9	-
Income not taxable	(36)	(36)
Income tax expense	<u>520</u>	<u>173</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9. Property, plant and equipment

	Land and Buildings £000	Office Equipment £000	Motor Vehicles £000	Total £000
Cost				
At 1 January 2021	1,327	263	85	1,675
Additions	3	-	54	57
Disposals	-	(3)	(48)	(51)
At 31 December 2021	1,330	260	91	1,681
Accumulated depreciation and impairment				
At 1 January 2021	801	237	57	1,095
Depreciation charge for the year	98	12	9	119
Disposals	-	-	(30)	(30)
At 31 December 2021	899	249	36	1,184
Carrying amounts				
At 1 January 2021	526	26	28	580
At 31 December 2021	431	11	55	497

10. Intangible assets

	Goodwill £000	Customer Contracts & Relationships £000	Total £000
Cost			
At 1 January 2021	415	137	552
Disposal	(185)	(57)	(242)
At 31 December 2021	230	80	310
Amortisation and impairment losses			
At 1 January 2021	185	92	277
Amortisation	-	19	19
Disposal	(185)	(57)	(242)
At 1 January and 31 December 2021	0	54	54
Carrying amounts			
At 1 January 2021	230	45	275
At 31 December 2021	230	26	256

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

Goodwill acquired in a business combination is allocated to the cash generating units (CGU's) that are expected to benefit from that business combination. The only CGU is the Estate Agency Business. Before recognition of impairment losses, the cost of goodwill has been allocated to this CGU. The recoverable amounts of the CGU's are determined from value in use calculations.

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested for impairment. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)', which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations. Had the company amortised goodwill, a period of 20 years would have been chosen as the useful life. The profit for the year would have been £11,462 lower had goodwill been subject to amortisation.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Right-of-use assets

	Land and buildings Year ended 2021 £000	Land and buildings Year ended 2020 £000
Cost		
At 1 January	2,264	2,039
Additions	63	225
Disposals	(31)	-
At 31 December	2,296	2,264
Accumulated depreciation and impairment		
At 1 January	712	315
Depreciation charge for the year	272	313
Disposals	(24)	-
Impairment (gain)/loss in the year	(34)	84
At 31 December	926	712
Carrying amounts		
At 1 January	1,552	1,758
At 31 December	1,370	1,552

12. Investments

The Company owns equity share capital in its principal trading subsidiary undertaking, which is incorporated in the UK and registered in England and Wales, as follows:

Name of subsidiary undertaking	Nature of business	Proportion of ordinary shares held	
		31 December 2021	31 December 2020
Pattison Lane Estate Agents Limited	Residential Estate Agency	95%	95%
Kevin Henry Limited	Non-trading	100%	100%

The registered office of both subsidiaries is Cumbria House, 16-20 Hockliffe Street, Leighton Buzzard, Bedfordshire, LU7 1GN.

13. Deferred tax

The deferred tax assets are considered to be recoverable in full.

Where deferred tax balances are expected to reverse before 1 April 2023, they have been calculated at the currently enacted corporation tax rate of 19%.

The corporation tax rate increase from 19% to 25% with effect from 1 April 2023 was substantively enacted on 24 May 2021 and deferred tax balances that are expected to reverse after this date have been calculated at 25%.

	Year ended 2021 £000	Year ended 2020 £000
At 1 January	7	7
Adjustment in respect of prior years	16	-
Deferred tax credit to the income statement	(11)	-
Movement arising from the acquisition of businesses	-	-
At 31 December	12	7

Deferred tax assets are attributable to the following items:

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Deferred tax (continued)

Deferred tax assets	Asset/ (liability) £000	(Charged)/ credited to income £000
2021		
Capital allowances	19	4
Goodwill	-	-
Intangible assets	(7)	2
Provisions	-	(1)
	<u>12</u>	<u>5</u>
2020		
Capital allowances	6	1
Goodwill	-	-
Intangible assets	-	-
Provisions	1	(1)
	<u>7</u>	<u>-</u>

14. Trade and other receivables

	31 December 2021 £000	31 December 2020 £000
Trade receivables	334	297
Amounts owed by group undertakings	42	111
Prepayments and accrued income	182	109
Bad debt provision	(63)	(80)
Other receivables	2	-
	<u>497</u>	<u>437</u>

Amounts due from other group undertakings are unsecured, interest free and repayable on demand

15. Cash and Cash Equivalents

	Year ended 2021 £000	Year ended 2020 £000
Bank balances	1,074	413
Call deposits	1,200	1,400
	<u>2,274</u>	<u>1,813</u>

The call deposits represent cash on deposit with Connells Limited, the immediate parent undertaking.

16. Trade and other payables

	31 December 2021 £000	31 December 2020 £000
Due within one year		
Trade payables	20	23
Amounts owed to group undertakings	439	674
Other taxes and social security costs	367	330
Accruals and deferred income	829	425
	<u>1,655</u>	<u>1,452</u>
Due after more than one year		
Accruals and deferred income	18	12
	<u>18</u>	<u>12</u>

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17. Lease liabilities

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

	31 December 2021 £000	31 December 2020 £000
Cost		
At 1 January	1,666	1,744
Additions	63	225
Interest charged	33	43
Lease payments	(379)	(346)
Disposals	(7)	-
Modifications	34	-
At 31 December	1,410	1,666

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	75	65
In more than 3 months but less than 1 year	192	197
In more than 1 year but less than 5 years	773	737
In more than 5 years	370	667
	1,410	1,666

The discount rates for the leases disclosed above ranged from 0.5% to 3.5%. The Company has several lease contracts that include termination options, usually through a break clause. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and adapt to the Company's business needs. Management exercises judgement in determining whether these termination options are reasonably certain to be exercised.

18. Provisions

	Insurance commission clawback £000	Property provisions £000	Total £000
Balance at 1 January 2021	295	38	333
Provisions made during the year	51	(10)	41
Released during the year	(148)	-	(148)
Balance at 31 December 2021	198	28	226
Due within one year or less	119	28	147
Due after more than one year	79	-	79
	198	28	226
Balance at 1 January 2020	336	25	361
Provisions made during the year	-	13	13
Released during the year	(41)	-	(41)
Balance at 31 December 2020	295	38	333
Due within one year or less	147	38	185
Due after more than one year	148	-	148
	295	38	333

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 notices or schedule of dilapidations has been received from the landlord. Provision is made for properties with non-cancellable leases where the Company no longer occupies the property. The provision represents the rent to the end of the lease, less any projected 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.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Share Capital

Allotted, called up and fully paid	31 December 2021 £000	31 December 2020 £000
18,430 Ordinary A shares of 1p each (2020: 18,430)	-	-
970 Ordinary B shares of 1p each (2020: 970)	-	-
	<u>-</u>	<u>-</u>

Each shareholder is entitled to a number of votes equal to the number of shares held by them save that where the A shares constitute more than 50% of the Company's issued equity share capital they shall have such number of votes as represents at least 75% of the votes capable of being cast on the resolution concerned. In all other respects the A and B ordinary shares rank *pari passu*.

A Shareholders' agreement exists which includes an option entitling the ordinary "B" shareholders (of which one is a director) to require Connells Limited to purchase their shares at a price to be determined by an independent valuation of the Company. This option can be exercised during the sixty-day period following finalisation of the audited accounts of the Company in each year.

Management of capital

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

Capital	Year ended 2021 £000	Year ended 2020 £000
Ordinary A and B shares	-	-
Other reserve	(750)	(750)
Retained earnings	2,338	1,966
	<u>1,588</u>	<u>1,216</u>

The other reserve arose as part of the write off the carrying value of Kevin Henry Limited during 2019, following the trade being hived up into the Company.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20. Related party transactions

20.1 Transactions with Group companies

Outstanding balances between Group entities as at the Statement of Financial Position date are disclosed within notes 14 and 16 above.

The Company has related party relationships within the Skipton group as detailed below. All such transactions are priced on an arm's length basis.

20.2 Related party transactions

	2021			2020		
	Parent undertaking £000	Subsidiary undertaking £000	Other group Companies £000	Parent undertaking £000	Subsidiary undertaking £000	Other group Companies £000
a) Net interest						
Interest receivable	26	-	-	15	-	-
Total	26	-	-	15	-	-
b) Sales of goods and services						
Commission receivable	-	-	31	30	-	30
Total	-	-	31	30	-	30
c) Purchase of goods and services						
Shared service recharges	(604)	-	(192)	(590)	-	(72)
Total	(604)	-	(192)	(590)	-	(72)
d) Outstanding balances						
Receivables from related parties	-	-	42	1,400	-	111
Payables to related parties	(287)	(152)	-	(509)	(159)	(4)
Total	(287)	(152)	42	891	(159)	107

21. Capital commitments

The Company has no capital commitments at the year end (2020: £nil).

22. Employee benefits

Defined contribution pension scheme

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company, in independently administered funds. The amount charged to the Income Statement in respect of the defined contribution schemes is the contribution payable in the year and amounted to £109,000 (2020: £96,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Government grants

	2021 Company £000	2020 Company £000
At 1 January	-	-
Received during the year	(62)	(623)
Released to the income statement	62	623
At 31 December	-	-
Current	-	-
Non-current	-	-

Government grants have been received relating to business rates relief £62,000 (2020: £100,000), the Coronavirus Job Retention Scheme £nil (2020: £497,000 within employee benefit expenses), Retail Cash Grant Scheme £nil (2020: £26,000 within other income).

24. Ultimate parent undertaking

The Company is a 95% 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