SHARMAN QUINNEY HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2022

(Registered Number 04174227)

Contents

Directors' Report

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

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 £1,022,000 for the year (2021: £2,892,000).

DIVIDENDS

During the year interim dividends of £500,000 (2021: £2,000,000) were paid. The Directors do not propose a final dividend (2021: £nil).

DIRECTORS

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

RS Shipperley (Resigned 31 December 2022)
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 2022 (2021: £nil). The Company made no political donations in 2022 (2021: £nil).

EMPLOYEE DEVELOPMENT AND EQUAL OPPORTUNITIES

The Company's approach is to ensure it recruits and promotes the right people regardless of gender, disability, age, sexual orientation or race, and 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 Group's financial forecasts to 30 June 2024.

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2022 the Company reported a net profit before tax of £1,022,000 (2021: £2,892,000) and at 31 December 2022 had a cash balance of £1,982,000 (2021: £2,274,000), even after paying dividends totaling £500,000 (2021: £2,000,000) 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)

The Directors have also performed extensive stress testing to model potential market shocks, and the related impact on business volumes, which include mitigating actions including reducing headcount, capital and other discretionary spend. In particular the Directors have considered and modelled a number of severe but plausible scenarios, including the impact of a material downturn in the UK property market caused by political and economic circumstances. The key assumptions used in this severe stress scenario are as follows:

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

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

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

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~~

25 April 2023

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

Strategic Report

2022 Review

The results as shown in the income statement reflect a pre-tax profit of £1,022,000 (2021: £2,892,000).

Having come off a unique year in 2021, a combination of normality and uncertainty crept into 2022. The advent of the cost of living crisis, 8 Bank of England rate rises and further political turmoil did enough to quell activity levels. The year was very much a game of two halves with strong demand being maintained from house purchase applicants, but instruction levels still being a challenge, whilst from Q3 onwards applicant levels also started to tail off with instructions still not at a level we would have liked. The rental sector remained solid but also took a slight downturn following the media forecasting around the likely economic outlook.

Despite this the diversity of the business which provides a complete property service helped to return a healthy profit and growth on both the residential and lettings sides in terms of market share helped to retain the company's strong brands positions throughout its branch network. Further mortgage lenders started to ease their views and rates started to reduce after the uncertainty that followed the September mini-budget, but this further helped to serve up indifferent market conditions.

The company introduced a number of staff schemes, in particular a 5 day working week for many and further career enhancing incentives. The employment of a Senior Land Manager has been a worthy addition to support growth with the New Homes business as opportunities and reputation amongst developers in this part of the company start to grow. Also the business took the strategic view to change its Home Conveyancing provider by joining the Connells Group panel which has helped to serve to provide a stronger case size on each legal completion.

The Company expanded during the year acquiring 2 branches from the transfer of the trade and assets of Pattison Lane Estate Agents Limited.

Costs remain under review as an ongoing good business practice and further costs were reduced to help support the profit return.

Going into 2023 the company remains on a very sound footing with strong liquidity levels and is confident that being a very experienced operator having traded for 33 years in all market conditions, it is well placed to return a good result in the forthcoming year.

Operational performance and key performance indicators

The Directors monitor the business by using the following KPI's. Monthly board meetings are held at which the results are discussed in detail. The table below shows the most significant financial KPI's that are monitored for the business.

Operational review

	2022 £000	2021 £000	Change %
Revenue	7,888	10,127	-22%
Total Income*	7,911	10,212	-23%
Profit from operations	566	2,708	-79%
Movement in:			
Estate agency exchanges	-28%	60%	
Applicants registered	-15%	20%	
Lettings occupied units	16%	0%	
Mortgages arranged	-14%	27%	

* Total income comprises revenue (2022: £7,888,000, 2021: £10,127,000) and other operating income (2022: £23,000, 2021: £85,000)

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:

Housing market

The UK housing market is cyclical and its strength correlates closely with the general strength of the UK economy. Changes in house prices and the volume of properties sold impact the results of the business. 2022 started well for the UK housing market, but the cost of living crisis, higher interest rates and generally uncertain economic conditions impacted the market towards the end of the year. However, the Board believes that the medium to long term outlook for the UK housing market remains positive, driven partially by the ongoing imbalance between the demand for properties against the available supply and the availability of affordable mortgage finance.

The Board continues to review leading indicator KPIs and other macro-economic data regularly, in order 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.

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.

Strategic Report *(continued)*

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

25 April 2023

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-adopted international accounting standards 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 2022 which comprise the Statement of comprehensive income, the Statement of Financial Position, 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period 30 June 2024.

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

Other information

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

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

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

We have nothing to report in this regard.

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

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

Use of our report

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

Ernst + Young LLP

Kester Rogers (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Audit
Cambridge
28 April 2023

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Year ended 2022 £000	Year ended 2021 £000
Revenue	3	7,888	10,127
Other operating income	4	23	85
Employee benefit expenses	7	(4,988)	(5,268)
Administrative expenses		(2,357)	(2,236)
Profit from operations		**566**	**2,708**
Financial income	5	485	216
Finance expense	6	(29)	(32)
Profit before tax		**1,022**	**2,892**
Taxation	8	(123)	(520)
Total profit for the year being total comprehensive income		**899**	**2,372**

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

Statement of Financial Position

AT 31 DECEMBER 2022

	Notes	£000	31 December 2022 £000	£000	31 December 2021 £000
Non-current assets					
Property, plant and equipment	9	493		497	
Intangible assets	10	241		256	
Right of use assets	11	1,282		1,370	
Investments	12	88		-	
Total non-current assets			2,104		2,123
Current assets					
Trade and other receivables	14	533		497	
Tax asset		28		-	
Deferred tax asset	13	-		12	
Cash and cash equivalents	15	1,982		2,274	
Total current assets			2,543		2,783
Total assets			4,647		4,906
Current liabilities					
Trade and other payables	16	1,126		1,655	
Provisions	18	145		147	
Tax Liability		-		9	
Deferred Tax liability		3		-	
Lease Liabilities	17	248		267	
Total current liabilities			1,522		2,078
Non-current liabilities					
Trade and other payables	16	13		18	
Provisions	18	96		79	
Lease Liabilities	17	1,029		1,143	
Total non-current liabilities			1,138		1,240
Total liabilities			2,660		3,318
Share capital	19	-		-	
Other reserve	19	(750)		(750)	
Retained earnings	19	2,737		2,338	
Total equity			1,987		1,588
Total equity and liabilities			4,647		4,906

These accounts were approved by the Board of Directors on 25 April 2023 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 2022

	Share capital £000	Other reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2022	-	(750)	2,338	1,588
Total comprehensive income for the year	-	-	899	899
Dividends paid	-	-	(500)	(500)
Balance at 31 December 2022	**-**	**(750)**	**2,737**	**1,987**
Balance at 1 January 2021	-	(750)	1,966	1,216
Total comprehensive income for the year	-	-	2,372	2,372
Dividends paid	-	-	(2,000)	(2,000)
Balance at 31 December 2021	**-**	**(750)**	**2,338**	**1,588**

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.

Financial reporting standard 101 – reduced disclosure exemptions

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

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

The Company's financial statements are consolidated into the consolidated financial statements of Connells Limited (the Company's immediate parent undertaking) for the year ended 31 December 2022. 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 2022. Those accounts are available online at www.skipton.co.uk/about-us or on request from The Secretary, Skipton Building Society, The Bailey, Skipton, North Yorkshire, BD23 1DN.

Adoption of new and revised UK Financial Reporting Standards

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

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

Standards issued but not yet effective

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

- IFRS 17 *Insurance Contracts (*effective from 1 January 2023*);*
- *Classification of Liabilities as Current or Non-current (*Amendments to IAS 1, effective from 1 January 2024)
- *Definition of Accounting Estimates* (Amendments to IAS 8, effective from 1 January 2023);
- *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2, effective from 1 January 2023)
- *Lease Liability in a Sale and Leaseback (*Amendments to IFRS 16, effective from 1 January 2024*)*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

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

- *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12, effective 1 January 2023);*

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

Measurement convention

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

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2022 the Company reported a net profit before tax of £1,022,000 (2021: £2,892,000) and at 31 December 2022 had cash balances amounting to £1,982,000 (2021: £2,274,000), even after paying a dividend of £500,000 (2021: £2,000,000) 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. As a result of the modelling, the Directors have deemed it appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements of the Company for the year ended 31 December 2022.

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

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

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

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

Business combinations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

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. An element of Lettings income has been assessed as transferred over time, in line with the performance obligation in the contract.
- Revenue from mortgage procuration fees is recognised on completion of the mortgage transaction, which is when all contractual obligations have been fulfilled. An element of mortgage services income has been assessed as transferred over time, in line with the performance obligations in the contract.
- Insurance commission income is recognised upon fulfilment of contractual obligations as part of the mortgage process, being when the insurance policy is put on risk; less a provision for expected future clawback repayment in the event of early termination by the customer. Invoices are usually payable within 30 days.
- 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:

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 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.

The Company applies discount rates based on its estimated current cost of capital of the CGU. Impairment of a CGU's associated goodwill is recognised where the present value of future cash flows of the CGU is less than its carrying value. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. Any impairment loss in respect of goodwill is not reversed.

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 10 years
Computer software	-	5 years

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

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.

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 including Deferred Tax

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

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.

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.

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 2022	Year ended 2021
Profit after tax is stated after charging/ (crediting) the following:	£000	£000
Impairment loss on trade receivables	36	22
Depreciation of property, plant and equipment	106	119
(Profit) on disposal of property, plant and equipment	(2)	(5)
Business rates relief (see note 23)	-	(62)
Auditor's remuneration and expenses:		
Audit of these financial statements	18	25

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.

2022	**Products and services transferred at a point in time £000**	**Products and services transferred over time £000**	**Total £000**
Commissions earned on property sales	3,435	-	3,435
Commissions earned on property lettings	722	893	1,615
Income from sale of financial services products	1,430	316	1,746
Conveyancing income	1,067	-	1,067
Other income and commissions	25	-	25
	6,679	1,209	7,888

2021	**£000**	**£000**	**£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

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

4. Other operating income	**Year ended 2022 £000**	**Year ended 2021 £000**
Rent receivable under operating leases	21	18
Profit on disposal of property, plant and equipment	2	5
Government grants (see note 23)	-	62
	23	85

5. Financial income	**Year ended 2022 £000**	**Year ended 2021 £000**
Interest on bank deposits	18	26
Dividend received	467	190
	485	216

6. Finance cost	**Year ended 2022 £000**	**Year ended 2021 £000**
Interest on lease liabilities	29	32
	29	32

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 2022 No.	Year ended 2021 No.
Directors	5	5
Sales and administration	136	129
	141	134

The aggregate payroll costs of these persons was as follows:

	£000	£000
Wages and salaries	4,385	4,673
Social security costs	463	486
Other pension costs	140	109
	4,988	5,268

Directors' emoluments

	Year ended 2022 £000	Restated Year ended 2021 £000
Directors' emoluments	121	230
Long term incentive	8	-
Contributions to defined contribution pension schemes	13	6
	142	236

2021 has been restated to show Directors' emoluments on the accruals basis rather than the cash paid basis.
The aggregate of emoluments of the highest paid Director was £142,000 (2021: £236,000). Included within this total were contributions of £13,000 to defined contribution pension schemes (2021: £6,000). Four (2021: four) of the directors are not directly remunerated by the Company. The notional allocation of cost to the Company for their services was £47,270 (2021: £103,806).

8. Taxation

a) Analysis of expense in the year at 19% (2021: 19%)	Year ended 2022 £000	Year ended 2021 £000
Current tax expense		
Current tax at 19% (2021: 19%)	104	528
Adjustment for prior years	(1)	(3)
Transfer of trade	5	-
Total current tax	108	525
Deferred tax charge		
Current year	4	(14)
Effect of changes in tax rates	10	11
Adjustment for prior years	1	(2)
Total deferred tax	15	(5)
Income tax expense	123	520

b) Factors affecting current tax expense in the year

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

	Year ended 2022 £000	Year ended 2021 £000
Profit before tax	1,022	2,892
Tax on profit at UK standard rate of 19% (2021: 19%)	194	549
Effects of:		
Tax rate changes	1	(2)
Expenses not deductible for tax purposes	15	-
Adjustment to tax expense in respect of prior periods	9	9
Transfer of trade	5	-
Income not taxable	(101)	(36)
Income tax expense	123	520

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 2022	1,330	260	91	1,681
Additions	80	19	-	104
Disposals	-	-	(24)	(24)
At 31 December 2022	1,410	279	72	1,761
Accumulated depreciation and impairment				
At 1 January 2022	899	249	36	1,184
Depreciation charge for the year	85	7	14	106
Disposals	-	-	(22)	(22)
At 31 December 2022	984	256	28	1,268
Carrying amounts				
At 1 January 2022	431	11	55	497
At 31 December 2022	426	23	44	493

10. Intangible assets

	Goodwill £000	Computer software £000	Customer contracts & relationships £000	Total £000
Cost				
At 1 January 2022	230	-	80	310
Additions	-	1	-	1
At 31 December 2022	230	1	80	311
Amortisation and impairment losses				
At 1 January 2022	-	-	54	54
Amortisation for the year	-	-	16	16
At 31 December 2022	-	-	70	70
Carrying amounts				
At 1 January 2022	230	-	26	256
At 31 December 2022	230	1	10	241

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 £16,000 lower had goodwill been subject to amortisation.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Right-of-use assets

	Land and buildings 31 December 2022 £000	Land and buildings 31 December 2021 £000
Cost		
At 1 January	2,296	2,264
Additions	170	63
Disposals	(313)	(31)
At 31 December	2,153	2,296
Accumulated depreciation and impairment		
At 1 January	926	712
Depreciation charge for the year	280	272
Disposals	(307)	(24)
Impairment (gain) in the year	(28)	(34)
At 31 December	871	926
Carrying amounts		
At 1 January	1,370	1,552
At 31 December	1,282	1,370

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 2022	31 December 2021
Pattison Lane Estate Agents Limited	Residential Estate Agency	100%	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.

	Shares in group undertakings £000	Total £000
Cost		
At 1 January 2022	-	-
Additions	88	88
At 31 December 2022	88	88
Amortisation and impairment losses		
At 1 January 2022	-	-
Impairment	-	-
At 31 December 2022	-	-
Carrying amounts		
At 1 January 2022	-	-
At 31 December 2022	88	88

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Investments (continued)

On the 30th June 2022 the Company purchased the 5% Shares of Pattison Lane Estate Agents Limited. The assets and liabilities of Pattison Lane Estate Agents Limited were then transferred at net book value into Sharman Quinney Holdings Limited.

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%.

	31 December 2022 £000	31 December 2021 £000
At 1 January	12	7
Adjustment in respect of prior years	(10)	16
Deferred tax charge to the income statement	(4)	(11)
Movement arising from the acquisition of businesses	(1)	-
At 31 December	**(3)**	**12**

Deferred tax assets are attributable to the following items:

Deferred tax (liability)/assets	**Asset/ (liability) £000**	**(Charged)/ credited to income £000**
2022		
Capital allowances	-	(19)
Intangible assets	(3)	4
	(3)	(15)
2021		
Capital allowances	19	4
Intangible assets	(7)	2
Provisions	-	(1)
	12	5

14. Trade and other receivables	**31 December 2022 £000**	**31 December 2021 £000**
Trade receivables	307	334
Amounts owed by group undertakings	43	42
Prepayments and accrued income	184	182
Bad debt provision	(10)	(63)
Other receivables	9	2
	533	497

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. Cash and Cash Equivalents

	31 December 2022 £000	31 December 2021 £000
Bank balances	332	1,074
Call deposits	1,650	1,200
	1,982	2,274

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

16. Trade and other payables	**31 December 2022**	**31 December 2021**
Due within one year	**£000**	**£000**
Trade payables	1	20
Amounts owed to group undertakings	174	439
Other taxes and social security costs	375	367
Accruals and deferred income	576	829
	1,126	1,655
Due after more than one year		
Accruals and deferred income	13	18
	13	18

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

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 2022 £000	31 December 2021 £000
Cost		
At 1 January	1,410	1,666
Additions	57	63
Transferred from another group company	36	-
Interest charged	30	33
Lease payments	(334)	(379)
Disposals	(5)	(7)
Modifications	83	34
At 31 December	1,277	1,410

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

	2022 £000	2021 £000
Lease liabilities are repayable:		
Due within one year		
In not more than 3 months	42	75
In more than 3 months but less than 1 year	206	192
	248	267
Due after more than one year		
In more than 1 year but less than 5 years	777	773
In more than 5 years	252	370
	1,029	1,143

The discount rates for the leases disclosed above ranged from 0.7% to 3.4%. The Company has several lease contracts that include termination options, usually through a break clause. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and adapt to the Company's business needs. Management exercises judgement in determining whether these termination options are reasonably certain to be exercised.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18. Provisions

	Insurance commission clawback £000	Property provisions £000	Total £000
Balance at 1 January 2022	198	28	226
Provisions made during the year	183	-	183
Transferred from another group company	26	-	26
Released during the year	(191)	(3)	(194)
Balance at 31 December 2022	**216**	**25**	**241**
Due within one year or less	135	10	145
Due after more than one year	81	15	96
	216	**25**	**241**
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**

The dilapidations 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.

19. Share Capital

Allotted, called up and fully paid	**31 December 2022 £000**	**31 December 2021 £000**
19,400 Ordinary A shares of 1p each (2021: 18,430)	-	-
Nil Ordinary B shares of 1p each (2021: 970)	-	-
	-	-

During the year the ordinary "B" shareholders excised their put option to require Connells Limited to purchase their shares at a price of £792.27 per share which was determined by an independent valuation of the Company. As a result all the "B" shares have been transferred into "A" shares.

Management of capital

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

	31 December 2022 £000	**31 December 2021 £000**
Capital		
Ordinary A (2021: A and B) shares	-	-
Other reserve	(750)	(750)
Retained earnings	2,737	2,338
	1,987	1,588

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Share Capital (*continued*)

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.

20. Related party transactions

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.

Sharman Quinney Holdings became wholly owned by Connells Limited from 30th June 2022. The figures below are representative of January 2022 – June 2022 only.

	2022			2021		
	Ultimate parent undertaking £000	**Parent undertaking £000**	**Other group companies £000**	**Ultimate parent undertaking £000**	**Parent undertaking £000**	**Other group companies £000**
a) Net interest						
Interest receivable	-	9	-	-	26	-
Total	-	9	-	-	26	-
b) Sales of goods and services						
Commission receivable	-	-	13	-	-	31
Total	-	-	13	-	-	31
c) Purchase of goods and services						
Shared service recharges	-	(327)	(48)	-	(604)	(192)
Total	-	(327)	(48)	-	(604)	(192)
d) Outstanding balances						
Receivables from related parties	-	-	23	-	-	42
Payables to related parties	-	(223)	(111)	-	(287)	(152)
Total	-	(223)	(88)	-	(287)	(110)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

21. Capital commitments

The Company has no capital commitments at the year end (2021: £nil).

22. Employee benefits

Defined contribution schemes

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 £140,000 (2021: £109,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

23. Government grants

Government grants received relating to business rates relief £nil (2021: £62,000).

24. 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