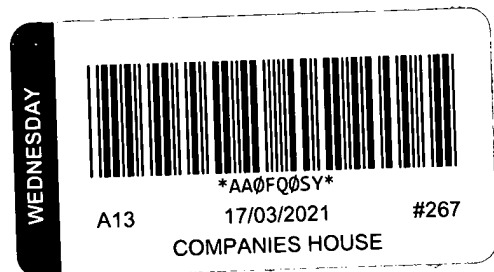


PATTISON LANE ESTATE AGENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2019

(Registered Number 04730529)



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Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019.

INTRODUCTION AND OVERVIEW

Pattison Lane Estate Agents Limited is a private limited company registered in England and Wales, registered number 04730529.

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 £178,000 for the year (2018: £204,000).

DIRECTORS

The Directors who served during the year were:

R S Shipperley
M A Sharnan
DC Livesey
RJ Twigg
DK Plumtree

DIVIDENDS

During the year interim dividends of £120,000 (2018: £50,000) were paid. The Directors do not propose the payment of a final dividend (2018: £nil).

EMPLOYEES

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

CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable or political donations in 2019 (2018: £nil).

DISABLED PERSONS

The Company continues to recognise its social and statutory duty to employ disabled persons and will do all that is practicable to meet this responsibility. Full consideration will be given to the recruitment of disabled persons, where a disabled person can adequately fulfil the requirements of the job. If an employee becomes disabled he or she will continue wherever possible to be employed in the same job. If this action is not practicable or possible, then every effort will be made to find suitable alternative employment. It is the policy of the company that the training, career development and promotion of a disabled person should as far as possible be identical with that of a person who does not have a disability.

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 assessed the viability of the Company with respect to the Company's current resources and prospects, its risk appetite and the Company's principal risks and uncertainties. As a result, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors have reacted quickly to the Covid-19 pandemic. The Government announcement on 23 March 2020, locking down large parts of the UK, effectively stopped the housing market. Our priority during this time has been the health, safety and well-being of our people and customers. The Company worked hard during the shutdown to ensure that sales that could complete went ahead, and those left on hold are held together. In lettings, we manage properties on behalf of landlords, and also have a duty to ensure tenants are kept safe and compliant with the latest regulations. We appreciate this has been a difficult time for all involved and have tried to work with all parties where rent has become more difficult to pay. In mortgage services we have worked with our customers to help them, mainly on the remortgage side, either because they have incurred some financial distress and need to reduce repayments, or they want to take advantage of lower mortgage rates currently on offer. Management has taken some difficult decisions during this time, including placing on furlough 90% of its people, although the Company is proud to have continued to pay 100% of basic pay and any commissions from March to July 2020.

On 12 May 2020 it was announced that lockdown would be eased in England, and branches could re-open. We have since unfurloughed most of our employees and worked hard to ensure they have all received the required training and personal protective equipment required, before branches re-opened to the public on 25th May. This has allowed us to help our customers who had agreed sales before the lockdown complete their transactions, people in difficult renting arrangements find new accommodation, and open up the housing market more widely.

Directors' Report *(continued)*

GOING CONCERN *(continued)*

The Directors have performed extensive forecasting to ensure the future viability of the Company and have taken actions where necessary to ensure the Company remains in a strong position, and able to recover strongly once we return to a more normal environment. The Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors have assessed the viability of the Company with respect to the Company's current resources and prospects, its risk appetite and the Company's principal risks and uncertainties. In particular the Directors have considered the impact of the Covid-19 pandemic. The unprecedented nature of the pandemic means that assessing the impact, including on the UK housing market and economy as a whole, is very difficult and there will inevitably be a higher degree of uncertainty attached to the forecasts than usual. However the Company does have experience of operating through a recession before.

The Company has prepared a stress forecast, including balance sheet and cash flows for 2020 and 2021, to model the expected impact of the Covid-19 pandemic. The key assumptions were that after the branches reopened in May activity levels would slowly rebuild during the second half of the year, reaching 80% of pre-Covid levels by December. Under this scenario income would be 25% below 2019 for the full year. The Directors expect 2021 to be largely back to pre-Covid levels, but some revenue streams may take slightly longer to recover. The Company has assumed to make use of the Government VAT deferral and furlough schemes. However the Company is proud that furloughed employees have continued to receive 100% of basic pay and any commissions due from March to July 2020. Despite this period of significant stress, the Company was forecast to remain solvent throughout, with a positive cash balance and net assets.

In terms of its balance sheet, the Company is well positioned to withstand any downturn. It has no long term debt (other than IFRS 16 liabilities) and therefore there are no covenant tests that it must meet. The Directors anticipate that were financing required, they are confident they would be able to obtain it, whether through additional shareholder loans or investment, the Government's Business Interruption Loan scheme or bank lending. However the Directors do not expect a situation where such financing is required, even if market conditions were to deteriorate, and therefore the going concern assumption is not reliant on this.

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.

Events after the reporting date

The World Health Organisation (WHO) declared a pandemic as a result of the Covid-19 outbreak. The UK Government announcement on 23 March 2020, locking down large parts of the UK, effectively stopped the housing market for two months. This had a significant impact on trading during this period, and has added some challenges to post lockdown ways of workings, including ensuring relevant PPE is in place and the Company adheres to social distancing guidelines for the benefit of its colleagues and customers. Since lockdown ended, there have been encouraging signs in the housing market.

The Directors consider the Covid-19 pandemic to be a non-adjusting event, but it will have a material impact on the company's turnover and results for the year ended 31 December 2020. In addition the Company's ability to recover outstanding trade receivables from customers could be negatively impacted by the Covid-19 pandemic, and other assets could need to be tested for impairment.

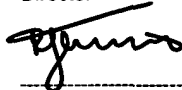
AUDITOR

The Company appointed a new external auditor during the year, in line with its ultimate parent, Skipton Building Society. KPMG LLP therefore resigned as the Group's external auditor, and Ernst & Young LLP was formally appointed on 10 May 2019.

For the year ended 31 December 2020, the Directors intend to rely upon the exemption from the obligation to appoint auditors permitted under section 479A of the Companies Act 2006 in submitting unaudited Financial Statements. There is a parent guarantee in place from Connells Limited. Therefore Ernst Young & LLP will resign as the Company's auditors.

By order of the board

RJ Twigg
Director



16 March 2021

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

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

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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, these directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PATTISON LANE ESTATE AGENTS LIMITED

Opinion

We have audited the financial statements of Pattison Lane Estate Agents Limited the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PATTISON LANE ESTATE AGENTS LIMITED *(continued)*

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

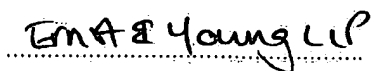
Auditor's responsibilities for the audit of the financial statements

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.

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.


.....

Joanne Mason (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Audit
Luton
16 March 2021

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 2019 £000	Year ended 2018 £000
Revenue	3	647	646
Administrative expenses	2	(470)	(441)
Profit from operations		177	205
Finance expense	4	(1)	(1)
Financial Income	5	2	-
Profit before tax		178	204
Taxation	7	(40)	(39)
Profit for the year being total comprehensive income		138	165

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

There were no recognised income and expense items in the current period (2018: £nil) other than those reflected in the above Statement of Comprehensive Income.

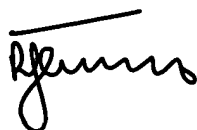
The notes on pages 12 to 24 form part of these financial statements.

Statement of Financial Position

AT 31 DECEMBER 2019

			31 December 2019 £000		31 December 2018 £000
	Notes	£000		£000	
Non-current assets					
Property, plant and equipment	8	52		20	
Right of use assets	9	60		-	
Total non-current assets			112		20
Current assets					
Trade and other receivables	11	50		69	
Cash and cash equivalents		148		129	
Total current assets			198		198
Total assets			310		218
Current liabilities					
Trade and other payables	12	65		68	
Deferred Tax	10	5		-	
Tax liabilities		18		20	
Provisions	13	12		10	
Lease liabilities	14	14		-	
Total current liabilities			114		98
Non-current liabilities					
Trade and other payables	12	2		2	
Provisions	13	19		7	
Lease liabilities	14	46		-	
Total non-current liabilities			67		9
Total liabilities			181		107
Equity – attributable to equity holders of the Company					
Share capital	15	1		1	
Retained earnings	15	128		110	
Total equity			129		111
Total equity and liabilities			310		218

These accounts were approved by the Board of Directors on 16 March 2021 and signed on its behalf by:



RJ Twigg
Director

Company registration number: 04730529

The notes on pages 12 to 24 form part of these accounts.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £000	Retained Earnings / (deficit) £000	Total equity £000
Balance at 1 January 2019	1	110	111
Total income for the year	-	138	138
Dividend paid	-	(120)	(120)
Balance at 31 December 2019	1	128	129
Balance at 1 January 2018	1	(5)	(4)
Total income for the year	-	165	165
Dividend paid	-	(50)	(50)
Balance at 31 December 2018	1	110	111

The notes on pages 12 to 24 form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 2019 £000	Year ended 2018 £000
Cash flows from operating activities			
Profit for the year		138	165
Adjustments for:			
Depreciation of tangible assets	8	6	2
Depreciation and impairment of right-of-use assets	9	19	-
Interest expense	4	1	1
Financial Income	5	(2)	-
Taxation	7	40	39
Operating profit before changes in working capital and provisions		202	207
Decrease / (Increase) trade and other receivables		22	(38)
(Increase) in prepayments and accrued income		(3)	-
(Decrease) in trade and other payables		(2)	(84)
Increase in provisions		14	10
Cash inflow generated from operations		233	95
Interest paid	4	(1)	(1)
Interest received	5	2	-
Tax paid		(37)	(30)
Net cash inflow from operating activities		197	64
Cash flows from investing activities			
Purchases of property, plant and equipment	8	(38)	(16)
Net cash outflow from investing activities		(38)	(16)
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(20)	-
Dividends paid		(120)	(50)
Net Cash outflow from financing activities		(140)	(50)
Net (decrease) / increase in cash and cash equivalents		19	(2)
Cash and cash equivalents at 1 January		129	131
Cash and cash equivalents at 31 December		148	129

The notes on pages 12 to 24 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Pattison Lane Estate Agents 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

During the year the Company adopted the following new IFRS 16 Leases accounting standard, further details of which are provided in note 1b).

The Company also adopted the following amendments to existing accounting standards during the year, none of which had a material impact on these financial statements:

- IFRIC 23 Uncertainty over income tax treatments
- Plan amendment, curtailment or settlement (amendments to IAS 19)

There are no new standards at 31 December 2019 that have been endorsed by the EU but not yet effective.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The Company's business activities are set out in the Directors' Report on page 3. The financial position of the Company, its cash flows, and liquidity position are shown on pages 8 to 11. In addition, the Directors Report and notes to these financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors have assessed the viability of the Company with respect to the Company's current resources and prospects, its risk appetite and the Company's principal risks and uncertainties. In particular the Directors have considered the impact of the Covid-19 pandemic. The unprecedented nature of the pandemic means that assessing the impact, including on the UK housing market and economy as a whole, is very difficult and there will inevitably be a higher degree of uncertainty attached to the forecasts than usual. However the Company does have experience of operating through a recession before.

The Company has prepared a stress forecast, including balance sheet and cash flows for 2020 and 2021, to model the expected impact of the Covid-19 pandemic. The key assumptions were that after the branches reopened in May activity levels would slowly rebuild during the second half of the year, reaching 80% of pre-Covid levels by December. Under this scenario income would be 25% below 2019 for the full year. The Directors expect 2021 to be largely back to pre-Covid levels, but some revenue streams may take slightly longer to recover. The Company has assumed to make use of the Government VAT deferral and furlough schemes. Despite this period of significant stress, the Company was forecast to remain solvent throughout, with a positive cash balance and net assets.

In terms of its balance sheet, the Company is well positioned to withstand any downturn. It has no long term debt (other than IFRS 16 liabilities) and therefore there are no covenant tests that it must meet. The Directors anticipate that were financing required, they are confident they would be able to obtain it, whether through additional shareholder loans or investment, the Government's Business Interruption Loan scheme or bank lending. However the Directors do not expect a situation where such financing is required, even if market conditions were to deteriorate, and therefore the going concern assumption is not reliant on this.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

b) Changes to significant accounting policies

The Company has adopted IFRS 16 *Leases* with effect from 1 January 2019. The effects of initially adopting this standard is outlined below.

IFRS 16

IFRS 16 *Leases* replaces the previous standard IAS 17, and determines how all leases are accounted for. This has had a material impact on the Company's 2019 accounts, this note sets out the impact of the adoption of the standard. The accounting policy is disclosed in note 1h). The Company has adopted IFRS 16 using the modified retrospective approach, so that the right-of-use asset is equal to the lease liability on 1 January 2019, adjusted for any rent prepayments or accrued lease payments. The 2018 comparatives have not been restated, as per the specific transitional provisions within the standard. The reclassifications and adjustments arising from the new standard are therefore recognised in the opening balance sheet as at 1 January 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases that had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at 1 January 2019. The below table reconciles the operating lease commitments disclosed under IAS 17, to the lease liability recognised under IFRS 16.

	£000
Operating lease commitments disclosed under IAS 17 at 31 December 2018	-
Extension options assumed	8
Lease liability recognised at 1 January 2019	8
Of which:	
Current lease liabilities	8
Non-current lease liabilities	-
	8

The associated right-of-use assets for all leases were measured at an amount equal to the lease liability, adjusted by any prepaid (or accrued) lease payments. The recognised right-of use assets at 1 January 2019 relate to the following types of assets:

	£000
Properties	8
Total right-of-use assets recognised at 1 January 2019	8

The change in accounting policy affected the following items in the balance sheet on 1 January 2019.

	As previously reported £000	Impact of IFRS 16 £000	Restated £000
Non-current assets			
Right-of-use assets	-	8	8
Total impact on assets	-	8	8
Non-current liabilities			
Lease liabilities	-	-	-
Current liabilities			
Lease liabilities	-	8	8
Total impact on equity and liabilities	-	8	8

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

b) Changes to significant accounting policies (continued)

The impact on the consolidated income statement for the year ended 31 December 2019 was as follows:

	2019 £000
Operating expenses	(19)
Earnings before interest, tax, depreciation, amortisation, impairment and contingent consideration	19
Depreciation	19
Operating profit	-
Interest	1
Profit before tax	(1)

The impact on the consolidated cash flow statement for the year ended 31 December 2019 was as follows:

	2019 £000
Profit for the year	(1)
Depreciation	19
Interest paid	1
Net cash flows from operating activities	19
Payment of principal portion of lease liabilities	(19)
Net cash flows from financing activities	(19)
Net total impact on cash flow statement	-

The Group used the following practical expedients available when applying IFRS 16 for the first time:

- The application of a single discount rate to a portfolio of leases with similar characteristics, for example based on term length and type of lease.
- Reliance on previous assessments of whether a contract is, or contains a lease.
- Exemptions available for low-value and short-term leases.
- Reliance on previous assessments of whether leases are onerous.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

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 on the following bases:

Buildings (excluding land)	-	Lower of 50 years or estimated useful life of premises
Office equipment	-	3 to 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, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

d) Trade and other receivables

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

e) Leases

Costs of operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

f) Trade and other payables

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

g) 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.

h) Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

i) Cash and cash equivalents

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

j) Provisions for liabilities and charges

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

k) Net financing costs

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

2. Expenses and auditor's remuneration

	Year ended 2019 £000	Year ended 2018 £000
Profit after tax is stated after charging:		
Staff costs (see note 6)	339	338
Rentals payable under operating leases	16	16
Auditor's remuneration and expenses:		
Audit of these financial statements	<u>5</u>	<u>6</u>

3. Revenue

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

2019	Products and services transferred at a point in time £000	Products and services transferred over time £000	Total 2019 £000
Commissions earned on property sales	298	-	298
Commissions earned on property lettings	182	-	182
Income from sale of financial services products	75	35	110
Conveyancing income	57	-	57
Other income and commissions	-	-	-
	<u>612</u>	<u>35</u>	<u>647</u>

2018	Products and services transferred at a point in time £000	Products and services transferred over time £000	Total 2018 £000
Commissions earned on property sales	248	-	248
Commissions earned on property lettings	176	-	176
Income from sale of financial services products	103	40	143
Conveyancing income	80	-	80
Other income and commissions	(1)	-	(1)
	<u>606</u>	<u>40</u>	<u>646</u>

4. Finance costs

	Year ended 2019 £000	Year ended 2018 £000
Interest payable to group undertakings	-	1
Interest on lease liabilities	<u>1</u>	<u>-</u>
	<u>1</u>	<u>1</u>

5. Financial Income

	Year ended 2019 £000	Year ended 2018 £000
Interest receivable from group undertakings	<u>2</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Staff numbers and costs

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

	Year ended 2019 No.	Year ended 2018 No.
Directors	5	5
Sales and administration	11	10
	<u>16</u>	<u>15</u>
	 £000	 £000
Wages and salaries	314	308
Social security costs	25	30
	<u>339</u>	<u>338</u>

None of the directors are directly remunerated by the company. The notional allocation of cost to the Company for their services was £14,042 (2018: £14,170).

7. Taxation

a) Analysis of expense in the year at 19% (2018: 19%)

Current tax expense

Current tax at 19% (2018: 19%)

Total current tax

Year ended 2019 £000	Year ended 2018 £000
35	39
<u>35</u>	<u>39</u>

Deferred tax expense

Current year

Total deferred tax

5	-
<u>-</u>	<u>-</u>

Income tax expense

<u>40</u>	<u>39</u>
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b) Factors affecting current tax expense in the year

The tax assessed in the Income Statement is equal to 19% (2018: equal to 19%) the standard UK corporation tax rate.

	Year ended 2019 £000	Year ended 2018 £000
Profit before tax	178	204
Tax on profit at UK standard rate of 19% (2018: 19%)	34	39
Effects of:		
Expenses not deductible	6	-
Tax rate change	-	-
Income tax expense	<u>40</u>	<u>39</u>

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Property, plant and equipment

	Land and Buildings £000	Office Equipment £000	Motor Vehicles £000	Total £000
Cost				
At 1 January 2019	8	2	16	26
Additions	36	2	-	38
At 31 December 2019	44	4	16	64
Accumulated depreciation and impairment				
At 1 January 2019	5	1	-	6
Depreciation charge for the year	2	-	4	6
At 31 December 2019	7	1	4	12
Carrying amounts				
At 1 January 2019	3	1	16	20
At 31 December 2019	37	3	12	52

	Land and Buildings £000	Office Equipment £000	Motor Vehicles £000	Total £000
Cost				
At 1 January 2018	8	2	-	10
Additions	-	-	16	16
At 31 December 2018	8	2	16	26
Accumulated depreciation and impairment				
At 1 January 2018	3	1	-	4
Depreciation charge for the year	2	-	-	2
At 31 December 2018	5	1	-	6
Carrying amounts				
At 1 January 2018	5	1	-	6
At 31 December 2018	3	1	16	20

9. Right-of-use assets

On 1 January 2019 the Group adopted IFRS 16 *Leases* and has reclassified the cost of leases into Right-of-use assets as follows:

	ROU Land and buildings £000
Cost	
At 31 December 2018	-
Change in accounting policy	8
At 1 January 2019	8
Additions	71
Disposals	(16)
At 31 December 2019	63
Accumulated depreciation and impairment	
At 1 January 2019	-
Depreciation charge for the year	19
Disposals	(16)
At 31 December 2019	3
Carrying amounts	
At 1 January 2019	8
At 31 December 2019	60

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Deferred tax

	31 December 2019 £000	31 December 2018 £000
The movement on the deferred tax asset is as shown below:		
At 1 January	-	-
Charge to the Income Statement	5	-
At 31 December	5	-

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

11. Trade and other receivables

	31 December 2019 £000	31 December 2018 £000
Trade receivables	36	38
Amounts owed by group undertakings	3	27
Prepayments and accrued income	11	8
Bad debt provision	-	(4)
	50	69

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

	2019 £000 Gross	2019 £000 Impairment	2018 £000 Gross	2018 £000 Impairment
Not overdue	5	-	13	-
Overdue 0 – 30 days	31	-	21	-
Overdue 31 – 120 days	-	-	-	-
Overdue 120 days plus	-	-	4	(4)
	36	-	38	(4)

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

	Year ended 2019 £000	Year ended 2018 £000
At 1 January	(4)	(4)
Provision made during the year	(3)	(6)
Provision no longer required	7	6
At 31 December	-	(4)

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

12. Trade and other payables

	31 December 2019 £000	31 December 2018 £000
Due within one year		
Trade payables	3	3
Amounts owed to group undertakings	-	-
Other taxes and social security costs	18	16
Accruals and deferred income	44	49
	65	68
Due after more than one year		
Accruals and deferred income	2	2
	2	2

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Provisions

	Insurance commission clawback £000	Total £000
Balance at 1 January 2019	17	17
Provisions made during the year	14	14
Provisions used during the year	-	-
Balance at 31 December 2019	31	31
Due within one year or less	12	12
Due after more than one year	19	19
	31	31
Balance at 1 January 2018	7	7
Provisions made during the year	10	10
Provisions used during the year	-	-
Balance at 31 December 2018	17	17
Due within one year or less	10	10
Due after more than one year	7	7
	17	17

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

14. Lease liabilities

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

	£000
Cost	
At 31 December 2018	-
Change in accounting policy	8
At 1 January 2019	8
Additions	71
Interest charged	1
Lease payments	(20)
At 31 December 2019	60

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

	£000
<i>Lease liabilities are repayable:</i>	
In not more than 3 months	5
In more than 3 months but less than 1 year	9
In more than 1 year but less than 5 years	25
In more than 5 years	21
	60

The discount rates for the leases disclosed above ranged from 1.3% to 1.7%. 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)*

15. Share capital

	31 December 2019 £	31 December 2018 £
Allotted, issued and fully paid		
95,000 Ordinary A shares of £0.01 each (2018: 95,000)	1	1
5,000 Ordinary B shares of £0.01 each (2019: 5,000)	-	-
	<u>1</u>	<u>1</u>

Each shareholder is entitled to the number of votes as 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.

There exists a Shareholders' agreement that includes an annual option entitling the ordinary "B" shareholders to require Shaman Quinney Holdings Limited to purchase their shares at a price to be determined by an independent valuation of the Company.

Management of capital

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

	31 December 2019 £000	31 December 2018 £000
Capital		
Ordinary A and B shares	1	1
Retained earnings	128	110
	<u>129</u>	<u>111</u>

The Company's objectives when managing capital are:

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

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

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

16. 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 £7,000 (2018: £5,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

17. Capital commitments

The Company has no capital commitments at the year end (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18. Related party transactions

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

	2019			2018		
	Ultimate parent undertaking £000	Intermediate parent undertaking £000	Immediate parent undertaking £000	Ultimate parent undertaking £000	Intermediate parent undertaking £000	Immediate parent undertaking £000
a) Net interest						
Interest payable	-	-	-	-	-	(1)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
b) Sales of goods and services						
Commission receivable	-	2	-	-	1	-
Total	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
c) Purchase of goods and services						
	-	(26)	-	-	(25)	-
Total	<u>-</u>	<u>(26)</u>	<u>-</u>	<u>-</u>	<u>(25)</u>	<u>-</u>
d) Outstanding balances						
Receivables from related parties	75	-	-	-	-	27
Payables to related parties	-	-	-	-	-	-
Total	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>

There are no provisions in respect of goods and services to Related Parties, either at 31 December 2019 or at 31 December 2018.

19. Financial instruments

Financial risks

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

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's liquidity policy is to maintain sufficient liquid resources to cover imbalances and fluctuations in funding, to maintain solvency of the Company and to enable the Company to meet its financial obligations as they fall due. This is achieved through maintaining a prudent level of liquid assets and through rigorous management control of the growth of the business.

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

	2019					
	Carrying amount £000	Contractual cash flows £000	In not more than 3 months £000	In more than 3 months but less than 1 year £000	In more than 1 year but not more than 5 years £000	In more than 5 years £000
Trade and other payables	47	47	47	-	-	-
Amounts owing to group companies	-	-	-	-	-	-
Lease liabilities	61	65	5	9	26	25
Total	<u>109</u>	<u>113</u>	<u>53</u>	<u>9</u>	<u>26</u>	<u>25</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Financial instruments (continued)

2018

	Carrying amount £000	Contractual cash flows £000	In not more than 3 months £000	In more than 3 months but less than 1 year £000	In more than 1 year but not more than 5 years £000	In more than 5 years £000
Trade and other payables	52	52	52	-	-	-
Amounts owing to group companies	-	-	-	-	-	-
Total	52	52	52	-	-	-

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

Market risk

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

Currency risk

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

Interest rate risk

The Company has no interest bearing liabilities, and monitors any exposure on a continuous basis.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Based on historic default rates, the Company believes that no impairment provision is necessary in respect of most trade receivables not overdue or overdue by up to 90 days. Specific impairment provisions are made for customers who do not have a good payment record with the Company before 90 days. For maximum credit exposure see note 10. Management carefully manages its exposure to credit risk.

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

	2019 £000	2018 £000
Cash & cash equivalents	148	129
Trade receivables	36	38
Amounts due from group undertakings	3	27
At 31 December	187	194

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

	2019 £000	2018 £000
Individual customers	13	24
Other commercial customers	26	14
At 31 December	39	38

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Financial instruments *(continued)*

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

20. Post balance sheet events

The World Health Organisation (WHO) declared a pandemic as a result of the Covid-19 outbreak. The UK Government announcement on 23 March 2020, locking down large parts of the UK, effectively stopped the housing market for two months. This had a significant impact on trading during this period, and has added some challenges to post lockdown ways of workings, including ensuring relevant PPE is in place and the Company adheres to social distancing guidelines for the benefit of its colleagues and customers. Since lockdown-ended, there have been encouraging signs in the housing market.

The Directors consider the Covid-19 pandemic to be a non-adjusting event, but it will have a material impact on the company's turnover and results for the year ended 31 December 2020. In addition the Company's ability to recover outstanding trade receivables from customers could be negatively impacted by the Covid-19 pandemic, and other assets could need to be tested for impairment.

21. Ultimate parent undertaking

The Company is a 95% owned subsidiary of Sharnan Quinney Holdings 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
Cumbria House
16-20 Hockliffe Street
Leighton Buzzard
Bedfordshire
LU7 1GN