

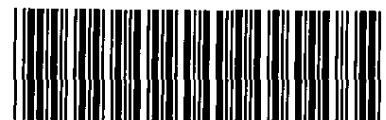
CONNELLS LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

(Registered Number 03187394)

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Group Directors' Report

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

INTRODUCTION AND OVERVIEW

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

During the year the Group purchased 100% of the share capital of Countrywide plc (now Countrywide Limited) for cash consideration of £131.8m. Further detail is set out in the Group Strategic Report and note 24.

The Connells Group estate agency combines residential sales and lettings expertise with a range of consumer and corporate services including land and new homes, mortgage services, conveyancing, corporate lettings and auctions. At 31 December 2021, Connells and its subsidiaries (the 'Group') trade under 84 brands from 1,250 (2020: 581) estate agency branches (including lettings only).

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

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

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

The Group provides asset management services, which manages repossessed and other properties on behalf of lenders and other clients such as probate providers.

The Group also has a number of other subsidiaries and joint ventures providing services in areas such as mortgage services, conveyancing, will services and the provision of energy performance certificates.

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

Details of financial instruments and associated risks are also provided in the Group Strategic Report and Note 26 to the Financial Statements.

DIRECTORS

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

RS Shipperley
RJ Twigg
DC Livesey
DJ Cutter
DK Plumtree
RSDM Ndawula (resigned 1 March 2021)
AJ Burton
IM Cornelius (appointed 1 March 2021)
MJ Lund (appointed 1 March 2021)

DJ Cutter, RSDM Ndawula, AJ Burton, IM Cornelius and MJ Lund are also Directors of the ultimate parent undertaking, Skipton Building Society.

DIVIDENDS

During the year the company paid interim ordinary dividends of £60,000,000 (2020: £20,000,000).

The Directors do not propose a final ordinary dividend in respect of the current financial year (2020: £nil).

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations of £105,000 during the year (2020: £53,000).

The Group made no political donations during the year (2020: £nil).

EMPLOYEES

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

Group Directors' Report (continued)

EMPLOYEE DEVELOPMENT AND EQUAL OPPORTUNITIES

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

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

GOING CONCERN

The Directors have undertaken a thorough assessment of the Group's financial forecasts to 31 December 2023, including the continuing impact of Covid-19 on its operations within the UK. 2021 was an excellent year for the UK housing market in terms of number of transactions, and the Group's ability to capitalise on the favourable market conditions enabled it to report a significantly increased profit for the year.

On 8 March 2021 the Group took out a £253.0m loan from Skipton Building Society, its ultimate parent undertaking, in order to fund the acquisition of Countrywide plc ("Countrywide"). The loan provided the capital to acquire Countrywide, settle the existing debt within Countrywide and enable investment and working capital for the Group. The strong trading during the year has allowed the Group to repay £125.0m of the capital balance of the loan prior to the year end, and the outstanding liability at the year end is £128.2m. There are no covenants attached to the loan.

The Group is also funded by its operating profits and the cash thereby generated. For the year ended 31 December 2021 the Group reported a net profit before tax of £111.3m (2020: £51.8m) and at 31 December 2021 had cash balances amounting to £119.1m (2020: £103.1m), even after paying dividends totaling £60.0m (2020: £20.0m) to its shareholders and the loan repayments of £125.0m above. At the date of signing these accounts, the Group continues to hold a sufficient working cash balance of £97.7m (2020: £93.6m).

The Group 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 Group and Company for the year ended 31 December 2021.

The Directors have also performed extensive stress testing to model potential market shocks, including any continuing or worsening impact of the Covid-19 pandemic, and their potential impact on business volumes. In particular the Directors have considered and modelled a number of severe but plausible scenarios, including the impact of a material downturn in the UK housing market caused by the ongoing Covid-19 pandemic or other political and economic circumstances. The key assumptions used in this severe stress scenario are as follows:

- UK housing market transactions fall to the levels seen in the 2008 financial crisis, the lowest on record, a decline of over 30% on the base scenario. This would have a proportionate impact on most revenue streams as volumes decline.
- House price deflation of 30%.
- Mitigating actions to reduce headcount, capital expenditure and marketing spend.
- No government support has been assumed to be available, but any support available would likely be utilised and improve the liquidity position further.

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

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

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

Group Directors' Report (continued)

STREAMLINED ENERGY CARBON REPORTING (SECR)

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

The Group Environmental Policy outlines the ways in which the Group reduces the use of paper, utilises recycling options, reduces pollution and levels of energy use. Initiatives such as the progressive reduction in company car CO₂ emissions, the replacement of lighting with low energy units and the roll out of smart electricity and gas meters are examples of the Group's commitment to operating in an environmentally sustainable way.

Global Greenhouse Gas emissions and energy use data from 01 January to 31 December 2021 gives a total energy consumption figure across all sites (including transport) totalling 47,755,709 kWh (2020: 19,421,096 kWh) which converts to 10,291 tCO₂e (2020: 6,123 tCO₂e) (tonnes of carbon dioxide equivalent).

Emissions from the purchase of electricity, heat, steam and cooling for our own use was 4,678 tCO₂e (2020: 3,602 tCO₂e), with transport and gas accounting for 5,186 tCO₂e (2020: 2,521 tCO₂e). In terms of emission intensity, total tonnes of carbon dioxide equivalent per £m of Group's turnover is 9.71 (2020: 16.33) which is considered to be low, reflecting the Group's relatively low carbon footprint given its size.

In terms of methodology, an ESOS Phase 2 site survey was undertaken by Catalyst and BiU, third party experts, and a walkthrough of buildings was carried out. The purpose of the survey was to undertake a high-level review of energy consumption within the site, by also using the 12-months data on energy use to identify where energy is being used and then to identify the potential to reduce energy consumption. As part of this process, assets and activities of significant energy consumption were identified and the demand in the total energy consumption data for these was apportioned as appropriate. For the purpose of SECR, the Connells Group is considered to have access to good consumption data and full utility data, provided from half hourly interval data and/or verified supplier invoice data. From this data an accurate profile has been established for the amount of consumed energy during this time period.

AUDITOR

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

By order of the board



DC Lvesey
Director

17 March 2022

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

Group Strategic Report

2021 BUSINESS REVIEW

	2021	2020
Total income ^a	£1,003.8m	£379.8m
Earnings before interest, tax, depreciation and amortisation, impairment and contingent consideration (EBITDA) ^b	£181.1m	£80.5m
Profit before tax	£111.3m	£51.8m

Movement in:	2021	2021 LFL ^c	2020
Estate agency property exchanges	+175%	+50%	-16%
Residential lettings properties under management	+211%	+3%	+0%
Number of mortgages arranged	+70%	+8%	-2%
Surveys and valuations completed	+224%	+26%	-15%
Number of conveyancing transactions arranged	+149%	+56%	-20%

^a Total income comprises revenue (£999.5m), other operating income (£3.1m) and Group share of profit after tax in joint ventures (£1.2m).

^b Before Group share of profit after tax in joint ventures, dividends paid to non-controlling interest, profit on disposal of investments and fair value gains on step acquisitions of Group undertakings

^c Like for like excludes the impact of acquisitions made in 2021.

The Group's acquisition of the entire share capital of Countrywide for £131.8m, on 8 March 2021, dominated the year, and created the UK's largest estate agency measured by both market share and number of branches. The acquisition has complemented the Group's existing services, enhanced its value proposition for customers and benefited consumers as a whole. The Group continues to believe that a well-invested high street branch network, coupled with a diversified brand portfolio, provides an attractive offering to its customers. The Group considers that the branch network of Countrywide is a key asset and intends to maintain and enhance Countrywide's current branding and service offering, while leveraging its own track record of positive investment in people and technology. An added benefit has been that the enlarged Connells Group can provide exciting career opportunities for both Connells and Countrywide employees, and has the potential to attract the best talent in the industry across all areas of expertise. In order to fund the transaction, enable the Group to repay existing external borrowings of Countrywide and provide working capital, Skipton Building Society, the ultimate parent undertaking, provided a loan to Connells Limited of £253.0m. The excellent results and cash generated during the year has enabled the Group to repay £125.0m of this loan prior to the year end, and £128.2m remains outstanding at 31 December 2021.

The UK housing market remained strong during the majority of 2021. Following the re-opening of the market in May 2020 after the first Covid-19 lockdown, the Government announced a partial stamp duty holiday, initially from 15 July 2020 to 31 March 2021, but subsequently extended to 30 June 2021. This, together with pent up demand following Brexit and the pandemic, continuing low interest rates and the "race for space" created excellent market conditions with transaction volumes reaching levels not seen for many years. Whilst various local and national restrictions continued to be imposed periodically throughout the year, the housing market remained open and the Group was able to continue trading and take advantage of the buoyant conditions.

Consequently, as a result of both an excellent trading performance, and the acquisition of Countrywide, the Group achieved an EBITDA of £181.1m for 2021, more than double the £80.5m reported for 2020. Profit before tax for the year was £111.3m (2020: £51.8m), this being after charging £52.4m amortisation on intangible assets created as part of the Countrywide acquisition, and crediting a £27.1m fair value gain on the disposal of TM Group (UK) Limited which was sold on 8 July 2021.

Management acknowledge the Covid-19 pandemic is not over and the Group's priority throughout has been the health, safety and well-being of its people and customers. The Group has invested in personal protective equipment (PPE), devised comprehensive working practices and rolled out training to allow for a safe and secure environment for its people and customers. The Group's IT systems continue to enable those who can work from home to do so.

The number of properties that the Group exchanged contracts on during the year (including Countrywide) was 106,803 (2020: 38,864), an increase of 175%, as the Group capitalised on the market conditions. On a like for like basis, the number of exchanges increased by 50%. At the end of the year, the Group traded from 1,179 branches (31 December 2020: 581)

The Group's mortgage services proposition continues to perform strongly and the number of mortgages arranged by the Group increased by 8% (76% including Countrywide), aided by the increase in the number of exchanges. The Group's estate agency and new homes proposition has also been complemented by the acquisition of Mortgage Intelligence, Dynamo and JAM advisers as part of Countrywide and the total value of lending generated for UK mortgage providers during 2021 increased by 221% to £35.0bn (2020: £10.9bn) as the Connells Group remains focused on helping more customers to buy homes or reduce their mortgage outgoings by providing them with a good experience and outcome.

The Group's letting division manages a large number of properties on behalf of landlords, and also has a duty to ensure tenants are kept safe and compliant with the latest regulations. The number of properties under management at the year end was 122,518 (2020: 39,381) an increase of 211% (3% on a like for like basis) during the year. The Group's lettings division continues its investment in people and technology to improve productivity and drive down its administrative costs.

Group Strategic Report (continued)

The Group's conveyancing proposition helps customers navigate the legal side of a property purchase or sale. The number of conveyancing transactions arranged in 2021 increased by 149% (56% on a like for like basis) as a result of the increase in the number of exchanges. The Group's ability to place more of its referrals to its in-house conveyancers was increased as a result of the acquisition of Countrywide Property Lawyers as part of the Countrywide acquisition.

The Group's surveying capabilities were also increased by the acquisition of Countrywide Surveying Services, as part of the Countrywide acquisition. Our two survey and valuations business continue to trade separately, offering their services independently to lenders and other participants in the UK property market. Our surveying businesses were able to complete survey and valuations throughout 2021, whereas 2020 was impacted significantly by the lockdown as surveyors were unable to carry out physical visits. Consequently the total number of survey and valuation jobs completed in 2021 increased by 224% year on year (26% on a like for like basis). We continue to invest in new technology and process improvements to drive productivity, support clients' risk management and improve customer outcomes. This includes offering a desktop valuation proposition. We also continue to invest in people, training new surveyors through AssocRICS development programmes, and the focus remains on delivering great customer service.

Lambert Smith Hampton (LSH), was acquired as part of Countrywide. It is one of the largest commercial property consultancies in the UK with 32 offices and over 1,000 employees. Working with commercial property owners, investors and occupiers, LSH partners with many household names across many different sectors, in both the public and private sector. LSH advises on all aspects of commercial property transactions in addition to residential block and commercial management. LSH posted good results in 2021, with income 10% ahead of last year, particularly driven by the transactional service lines.

The Group's cost base increased during the year as a result of the Countrywide acquisition, with total administrative expenses increasing by £212.3m to £316.3m (increase of 204%, or 7% on a like for like basis). Following the acquisition of Countrywide, management have integrated the two businesses, merging support functions where it makes commercial sense to do so, and reducing duplicated costs. Focus on cost control remains an absolute priority of the business.

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

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

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

The Group sold its entire 64.68% shareholding in TM Group (UK) Limited, for £58.7m in July 2021, recognising a fair value gain of £27.1m. TM Group was established in 1999, with Connells acquiring a stake in the business alongside Countrywide, and subsequently LSL and its divestment represents a great financial outcome for the Group. The Group continues its relationship with TM Group, as a customer. See Note 24 for further details.

The Group sold its entire 23.59% shareholding in Tactile Limited (trading as Fixflo) in May 2021, recognising a profit on disposal of £2.3m. The Group enjoyed a successful partnership with Fixflo and the sale represents a very good return on investment.

The Group ended 2021 with its sales pipeline below the prior year but still relatively high compared to historical levels, which bodes well for a good start to 2022. Whilst market conditions have softened following the end of the stamp duty holiday, 2022 is not therefore likely to be as strong a year as 2021, but nevertheless, with strong profitability and good liquidity the Group remains well poised to take advantage of whatever market conditions present.

Section 172 statement – The Board's approach

Policies and Practices

The Board's objectives continue to be to maximise the long-term value and revenue streams for the Group's shareholders, to create secure and rewarding employment for its people and to deliver a high quality service to its customers. The Board considers its shareholders, customers and colleagues to be the Group's key stakeholders.

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

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

Group Strategic Report *(continued)*

Corporate Governance

The Board is responsible for determining the Group's strategy for managing risk and overseeing its systems of internal control. The ongoing effectiveness of these internal controls is reviewed by the Board's Audit & Risk Committee on a regular basis. The Group maintains appropriate standards of corporate governance in order to conduct its business in a prudent and well organised manner. The Board's approach is based on the principles and provisions of the UK Corporate Governance Code (the Code) published by the Financial Reporting Council. The Board's philosophy is to comply with the Code where it applies to the Group, and its compliance is reviewed annually.

Employee matters

The Connells Group seeks to attract great people and make sure they are highly engaged in an environment where they can perform to high expectations and have the opportunity for a long, rewarding and fulfilling career.

In order to help achieve this, the Group seeks direct feedback from its workforce on areas such as leadership, reward, trust, respect, well-being and communication. The Group carries out employee engagement surveys periodically, in which all employees are invited to participate. As a result of the Covid-19 pandemic, no such survey has been carried out since early 2020, but one is planned for 2022. The results of such surveys enable the Board to make decisions about where to focus attention to best effect. In particular, following the most recent survey, the Board has established a Diversity and Inclusion group, aimed at ensuring that the Group's policies and procedures continue to ensure that Connells supports a diverse and inclusive workplace. The Board also includes groups of employees in such activities.

The Group has a number of policies and practices in place to help ensure that the working environment encourages trust, respect, recognition and good communication. These include, for example, structured career pathways, dignity at work, equal opportunities and a well embedded fire, health, safety and welfare policy. In addition, the Board aims to promote a diverse and inclusive culture, and provide training to support mental health awareness. Remuneration structures are designed to reward high performance. The Group's modern slavery policy supports the objectives of the Modern Slavery Act 2015, further details of which can be found on the Group website. Group policies are reviewed and monitored regularly to ensure they remain appropriate and fit for purpose. Throughout the Covid-19 pandemic, the Group has sought to operate with the safety of its colleagues and customers being its priority. It continues to invest in PPE, provide extensive training to all its people and has implemented a number of Covid-secure standards across the business.

The Group is committed to ensuring that there are no instances of bribery or corruption throughout the business. Group policies exist, drafted in line with best practice, to prohibit the offering, giving, solicitation or the acceptance of any bribe to or from any person or company by any individual employee, agent or other person or body acting on behalf of the Group. The policies are readily available for employees to view on the internal intranet and employees are required to receive annual refresher training to ensure they can recognise and prevent the use of bribery.

Social matters

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

In January 2021, the Group launched a new charity partnership with Mind UK, which combines the efforts of Connells Residential and Sequence, together with supporting head office functions and Countrywide, following its acquisition in March. Mind UK is the leading mental health charity in England and Wales (SAMH – Scottish Association for Mental Health – in Scotland), providing advice and support to empower anyone experiencing a mental health problem. The charity campaigns to improve services, raise awareness and promote understanding, and provide support directly to those who need it most. This is a cause that resonates well with colleagues and the Group provides support through a range of fundraising activities and campaigns across the network. Committed to raising over £20,000 over two years as part of its corporate partnership, the Group raised over £40,000 in its first year alone. The business has also joined forces with Pennies from Heaven to help raise further funds for Mind. Pennies from Heaven is the UK's largest workplace micro giving scheme, taking the spare change from payslips each month and sending them directly to the charity.

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

Environmental matters

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

The Group Environmental Policy outlines the ways in which the Group reduces the use of paper, utilises recycling options, reduces pollution and levels of energy use. Initiatives such as the progressive reduction in company car CO₂ emissions, the replacement of lighting with low energy units and the roll out of smart electricity and gas meters are examples of the Group's commitment to operating in an environmentally sustainable way.

Group Strategic Report (continued)

The Group's Environmental, Social and Governance committee, established in 2021, has a specific focus on reviewing where the Group's CO2 footprint can be reduced, and implementing measures to do so. An example of this is in our John D Wood brand which has agreed that all new company car purchases will be entirely electric vehicles.

Business relationships

The Group closely monitors all of its business relationships in order to allow it to provide its customers with excellent service across the range of services offered. It assesses, on an ongoing basis, the risks of adverse impact on its customers, people and the environment in which the Group operates as a result of these relationships, or as a result of its policies.

Relationships with key suppliers are closely monitored to ensure services are being provided in line with the terms of documented agreements. Performance of key suppliers, along with associated risks to the Group and the environment are regularly assessed with options for improvement considered where available. Regular reviews of adherence to key policies, such as Modern Slavery and GDPR, are undertaken.

Board members and Senior Managers are engaged when negotiating terms with key suppliers and will often attend strategic review meetings to guide the future approach with that supplier.

The Group's services are primarily delivered through its high street branch network, with support from centralised customer service teams who help ensure the delivery of positive customer outcomes. Customer interactions are underpinned by a range of proactive communications and online tools which support and inform customers by providing them with timely updates, useful guides and visibility of their transaction at each stage of the home buying, selling and renting journey.

The Group actively engages with its customers at key points during their transactions, through review platforms and customer care teams, to measure and maintain the quality of its service delivery. The Group continues to support industry initiatives that seek to improve and speed up the home buying process for the benefit of customers and other key stakeholder groups.

Decision making

The Board meets monthly and makes decisions which promote the success of the Group and its stakeholders. Proposals are discussed in detail, approved and documented by the Board which ensures key decisions are taken considering the Group's risk management framework detailed below. Examples of key decisions taken during 2021 include:

- Final approval of the purchase of Countrywide plc in the early part of the year, and the taking out of a loan of £253m to fund the acquisition, pay off Countrywide's external debt and provide working capital for the business. The Board concluded that the acquisition represented a great opportunity for the Group and was in the interests of all stakeholders.
- As explained in note 24, the Group acquired a further three small businesses during the year. The acquisitions support the strategy of acquiring good businesses either in new locations or that enhance our presence in existing postcodes. The acquisitions were made out of existing cash reserves.
- The sale of the Group's 64.68% shareholding in TM Group (UK) Limited for proceeds of £58.7m. It was decided the sale represented an excellent return on the investment and was in the best interests of shareholders.
- The sale of the Group's 22.9% shareholding in Tactile Limited (trading as Fixflo) for proceeds of £7.8m. It was agreed the sale price represented an excellent return on investment and was in the best interests of shareholders.
- The annual corporate plan was approved following a robust and comprehensive review process. It was agreed the plan was an appropriate target for the Group to achieve an attractive shareholder return.
- The Board agreed to repay £125.0m of the capital on the loan, earlier than stipulated in the loan agreement. The Group had significant cash reserves following the excellent results for the year, and the Board agreed paying down the loan represented good value for the Group.
- Approved interim dividends – Meeting shareholder dividend expectations is a top priority to ensure the funds are able to benefit the wider Skipton Group. The corporate plan indicates the dividend level to be sustainable and still allow the Connells Group to invest in growth, and meet the needs of its pension scheme members.

Risks and uncertainties

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

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

During the period since acquisition by the Group, management has identified some weaknesses in the Countrywide financial control environment. Work is ongoing as a matter of priority to embed the Group's control framework and standards, including the same three lines of defence model, within the Countrywide business. The Group's Internal Audit function has performed a number of targeted

Group Strategic Report (continued)

Risks and uncertainties (continued)

reviews at Countrywide since acquisition, and has also performed specific procedures in response to weaknesses identified. Key findings have been discussed with the Audit and Risk Committee, and follow-up actions agreed.

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

Covid-19 pandemic

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

The Directors continue to monitor the progress of the pandemic and have taken a number of actions and contingency planning to safeguard the future profitability and viability of the business and, through the business continuity planning team, continue to take appropriate action. The Group's IT systems have enabled those people who can work from home to do so, and the Group has continued to be able to operate throughout the pandemic. The Group continues to invest in personal protective equipment (PPE), devised comprehensive working practices and rolled out training to allow for a safe and secure environment for its people and customers.

Housing Market

The UK housing market is cyclical and its strength correlates closely with the general strength of the UK economy. Changes in house prices and the volume of properties sold impact the results of the business. 2021 was an excellent year for the UK housing market with record numbers of transactions, but the end of the stamp duty holiday, the continuing Covid-19 pandemic and geo-political uncertainty could impact market sentiment and transaction levels. However, the Board believes that the medium to long term outlook for the UK housing market remains positive, driven partially by the ongoing imbalance between the demand for properties against the available supply and the availability of affordable mortgage finance.

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

Competitors

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

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

Regulatory Compliance

The Group's businesses operate across a number of regulatory environments, which change and evolve rapidly. Failure to comply with current or future regulatory requirements could result in regulatory censure, fines or enforcement action which would impact on the Group's ability to carry out certain activities.

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

IT Infrastructure and information security

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

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

Group Strategic Report (continued)

Risks and uncertainties (continued)

Provisions for liabilities

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

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

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

Loss of a major client

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

Each business carries out regular review meetings with clients at all levels of management, any issues should therefore be identified and escalated at an early stage.

Financial misstatement and fraud

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

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

Capital

In common with other businesses in the sector, the Group is relatively highly operationally geared. Trading performance is sensitive to transaction volumes in the UK residential housing market. In the short term, certain costs are fixed so that when income falls there is a direct and adverse impact on profits and cash flows.

The Group's policy is to retain sufficient cash and capital resources to allow it to withstand market volatility and achieve its corporate objectives.

People

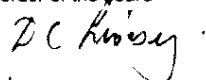
Estate agency is very much a people business. As such, the Group is reliant on the ability, training, skills and motivation of its people. A key risk to the business is the possibility of losing people, particularly senior managers who have extensive knowledge and experience.

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

Customers

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

By order of the board



DC Livesey
Director

17 March 2022

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the Directors have elected to prepare the group and the parent company financial statements in accordance with UK adopted International Accounting Standards and as regards to the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

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

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

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

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

The directors confirm, to the best of their knowledge:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONNELLS LIMITED

Opinion

We have audited the financial statements of Connells Limited (the parent company) and its subsidiaries (the group) for the year ended 31 December 2021 which comprise the Group Income Statement, the Group and Parent company Balance Sheet, Group Statement of Cash Flows, the Group statement of Comprehensive Income, the Group and Parent Statement of Changes in Equity and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards to the parent company financial statements as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment.
- We obtained management's going concern assessment, including the cash forecasts for the going concern period up to December 2023. The Group has modelled adverse scenarios in their cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the Group.
- We considered the appropriateness of the methods used to calculate the cash forecasts and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity.
- We considered the mitigating factors included in the cash forecasts that are within control of the Group. This includes review of the Company's non-operating cash outflows, payments of dividends and evaluating the Company's ability to control these outflows as mitigating actions if required.
- We have performed reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity during the going concern period.
- We read the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONNELLS LIMITED (Continued)

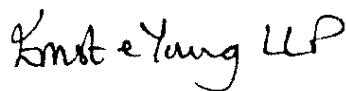
We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are: The Estate Agents Act 2019, The Consumer Rights Act 2015, The Consumers, Estate Agents and Redress Act 2007, International Accounting Standards, Companies Act 2006, Data Protection Act 1998, Health and Safety at Work Act 1974, HMRC regulations, The Coronavirus Act 2020 Functions of Her Majesty's Revenue and Customs (Coronavirus Job Retention Scheme), UK Bribery Act, Equality Act and Anti-Money Laundering Regulations.

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

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

Use of our report

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



Ruth Logan (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP,

Cambridge



Group Income Statement

For the year ended 31 December 2021

	Notes	Year ended 2021 £000	Year ended 2020 £000
Revenue	3	999,460	375,031
Other operating income	6	3,077	1,402
Employee benefit expenses	7	(597,914)	(222,360)
Other operating expenses	2	(316,344)	(104,020)
Operating profit		88,279	50,053
Presented as:			
Earnings before interest, tax, depreciation, amortisation, impairment and contingent consideration		181,066	80,505
Depreciation of tangible assets	2,10	(8,562)	(8,503)
Depreciation and impairment of right-of-use assets	12	(26,412)	(14,752)
Amortisation and impairment of intangibles	11	(59,729)	(5,878)
Fair value changes in financial instruments held at FVTPL	14	1,916	(63)
Impairment of investments	13	-	(1,456)
Operating profit		88,279	50,053
Finance income	4	394	441
Finance costs	5	(7,101)	(1,668)
Net financing costs		(6,707)	(1,227)
Group share of profit after tax in joint ventures	13	1,237	3,364
Dividends paid to non-controlling interests		(662)	(391)
Profit on Disposal of Investments	24	2,256	-
Fair value gains on step acquisitions of Group undertakings	24	26,921	-
Profit before tax		111,324	51,799
Taxation	8	(16,496)	(10,864)
Profit for the year		94,828	40,935
Attributable to:			
Equity holders of the Company		94,716	40,935
Non-Controlling Interest		112	-
		94,828	40,935

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

The notes on pages 21 to 73 form part of these financial statements.

Group Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	Year ended 2021 £000	Year ended 2020 £000
Profit for the year		94,828	40,935
Other comprehensive income/ (expense):			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on retirement benefit obligations	23	11,541	(8,452)
Tax on actuarial gain/ (loss) on retirement benefit obligations			
- deferred tax (charge)/ credit	15	(2,356)	2,120
- current tax credit		1,445	250
Exchange differences arising on retranslation of foreign operations		9	-
Other comprehensive income/ (expense) for the year (net of income tax)		10,639	(6,082)
Total comprehensive income for the year		105,467	34,853
Total comprehensive income attributable to:			
Equity holders of the Company		105,355	34,853
Non-Controlling Interest		112	-
		105,467	34,853

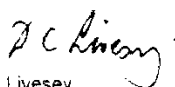
The notes on pages 21 to 73 form part of these financial statements.

Group Statement of Financial Position

At 31 December 2021

		31 December 2021		31 December 2020	
		£000	£000	£000	£000
	Notes				
Non-current assets					
Property, plant and equipment	10	32,829		30,173	
Intangible assets	11	290,509		100,624	
Right-of-use assets	12	80,161		43,888	
Investments	13	9,476		13,264	
Financial assets	14	12,775		8,284	
Deferred tax assets	15	14,796		11,099	
Retirement benefit asset	23	1,244		-	
Total non-current assets			441,790		207,332
Current assets					
Trade and other receivables	16	105,653		37,896	
Cash and cash equivalents	17	119,057		103,053	
Total current assets			224,710		140,949
Total assets			666,500		348,281
Current liabilities					
Trade and other payables	18	168,362		59,903	
Tax liabilities		344		1,757	
Provisions	20	21,488		11,813	
Lease liabilities	19	23,607		10,705	
Total current liabilities			213,801		84,178
Non-current liabilities					
Trade and other payables	18	133,082		5,575	
Provisions	20	13,880		6,143	
Retirement benefit obligation	23	12,973		45,307	
Lease liabilities	19	74,905		34,443	
Total non-current liabilities			234,840		91,468
Total liabilities			448,641		175,646
Equity – attributable to equity holders of the Company					
Share capital	21	1		1	
Share premium	21	25,988		25,988	
Capital redemption reserve	21	3,000		3,000	
Translation reserve	21	9		-	
Retained earnings	21	188,529		143,646	
Non-controlling interest	21	332		-	
Total equity			217,859		172,635
Total equity and liabilities			666,500		348,281

These accounts were approved by the Board of Directors on 17 March 2022 and signed on its behalf by:


DC Livesey
Director

Company registration number: 03187394

The notes on pages 21 to 73 form part of these accounts.

Company Statement of Financial Position

At 31 December 2021

		31 December 2021		31 December 2020	
		£000	£000	£000	£000
	Notes				
Non-current assets					
Property, plant and equipment	10	6,384		6,954	
Intangible assets	11	3,779		3,720	
Right-of-use assets	12	166		-	
Investments	13	257,143		128,796	
Financial assets	14	12,554		8,071	
Deferred tax assets	15	6,875		9,172	
Total non-current assets			286,901		156,713
Current assets					
Trade and other receivables	16	46,758		13,232	
Cash and cash equivalents	17	72,327		77,032	
Total current assets			119,085		90,264
Total assets			405,986		246,977
Current liabilities					
Trade and other payables	18	81,963		57,400	
Provisions	20	1,684		1,633	
Lease liabilities	19	63		-	
Tax liabilities		1,899		507	
Total current liabilities			85,609		59,540
Non-current liabilities					
Trade and other payables	18	129,773		2,063	
Provisions	20	941		923	
Lease liabilities	19	119		-	
Retirement benefit obligation	23	12,973		45,307	
Total non-current liabilities			143,806		48,293
Total liabilities			229,415		107,833
Equity – attributable to equity holders of the Company					
Share capital	21	1		1	
Share premium	21	25,988		25,988	
Capital redemption reserve	21	3,000		3,000	
Retained earnings	21	147,582		110,155	
Total equity			176,571		139,144
Total equity and liabilities			405,986		246,977

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act (2006) and has not presented its own income statement in these financial statements. The total comprehensive income for the year was £97,499,000 (2020: £21,966,000).

These accounts were approved by the Board of Directors on 17 March 2022 and signed on its behalf by



DC Livesey
Director

Company registration number: 03187394

The notes on pages 21 to 73 form part of these accounts

Statements of Changes in Equity

For the year ended 31 December 2021

Group

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

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Non- Controlling Interest £000	Translation Reserve £000	Total equity £000
Balance at 1 January 2020	1	25,988	3,000	128,793	-	-	157,782
Total comprehensive income for the year	-	-	-	34,853	-	-	34,853
Dividends to shareholders	-	-	-	(20,000)	-	-	(20,000)
Balance at 31 December 2020	1	25,988	3,000	143,646	-	-	172,635

Company

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2021	1	25,988	3,000	110,155	139,144
Total comprehensive income for the year	-	-	-	97,427	97,499
Dividends to shareholders	-	-	-	(60,000)	(60,000)
Balance at 31 December 2021	1	25,988	3,000	147,582	176,571

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2020	1	25,988	3,000	108,189	137,178
Total comprehensive income for the year	-	-	-	21,966	21,966
Dividends to shareholders	-	-	-	(20,000)	(20,000)
Balance at 31 December 2020	1	25,988	3,000	110,155	139,144

The notes on pages 21 to 73 form part of these accounts.

Group Statement of Cash Flows

	Note	Year ended 2021 £'000	Year ended 2020 £'000
Cash flows from operating activities			
Profit for the year		94,828	40,935
Adjustments for:			
Depreciation and impairment of tangible assets	10	8,562	8,503
Depreciation and impairment of ROU assets	12	26,412	14,752
Amortisation and impairment of intangible assets	2, 11	59,729	5,678
Profit on disposal of property, plant and equipment	2	(445)	(163)
Impairment of joint ventures		-	1,456
Finance income	4	(394)	(441)
Share of profit of joint ventures	13	(1,237)	(3,364)
Finance expense	5	7,101	1,668
Dividends paid to non-controlling interests		662	391
Tax expense	8	16,496	10,864
Fair value changes in financial instruments held at FVTPL	6	(1,916)	63
Past service costs on pensions	23	-	811
Fair value gains on step acquisitions of Group undertakings	24	(26,921)	-
Profit on disposal of equity investments	24	(2,256)	-
Operating profit before changes in working capital and provisions		180,621	81,153
Contributions to defined benefit pension schemes	23	(24,880)	(2,880)
Decrease in trade receivables		12,123	2,809
Decrease/ (increase) in prepayments and other receivables		10,829	(1,291)
Increase/ (decrease) in trade and other payables		(6,122)	4,539
Increase in provisions		(1,849)	(4,515)
Cash inflow from operations		170,722	79,815
Tax paid		(19,498)	(13,305)
Net cash inflow from operating activities		151,224	66,510
Cash flows from investing activities			
Interest received		394	441
Interest paid		(4,832)	-
Dividends received from joint ventures	13	2,139	1,175
Purchases of shares in subsidiaries, net of cash acquired	24	(122,720)	-
Proceeds on disposal of subsidiaries		58,698	-
Proceeds on sale of investment		8,175	-
Purchases of shares in assets held at FVTPL	6	(448)	(150)
Purchases of business assets, net of cash acquired	24	(205)	(1,490)
Purchases of computer software	11	(4,055)	(1,235)
Purchases of property, plant and equipment	10	(7,541)	(4,601)
Proceeds on disposal of property, plant and equipment		1,209	1,017
Net cash (outflow) from investing activities		(69,186)	(4,843)
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(40,372)	(13,931)
Dividends paid to parent undertaking	9	(60,000)	(20,000)
Dividends paid to non-controlling interests		(662)	(391)
Loan advanced by ultimate parent undertaking		253,000	-
External term and revolving facility loans repaid		(93,000)	-
Loan repayments to ultimate parent undertaking		(125,000)	-
Net cash (outflow) from financing activities		(66,034)	(34,322)
Net increase in cash and cash equivalents		16,004	27,345
Cash and cash equivalents at 1 January		103,053	75,708
Cash and cash equivalents at 31 December		119,057	103,053

The notes on pages 21 to 73 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

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

a) Basis of accounting

Both the Company and the Group financial statements have been prepared and approved by the Directors in accordance with UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006 and effective as at 31 December 2021. In publishing the Parent Company financial statements here, together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual Income Statement and Statement of Cash Flows and related notes that form a part of these approved financial statements. The amount of the profit for the year dealt with in the financial statements of Connells Limited is disclosed in the Statement of Changes in Equity in these financial statements.

Adoption of new and revised UK Financial Reporting Standards

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

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

Standards issued but not yet effective

A number of new and amended accounting standards and interpretations will be effective for future reporting periods, none of which has been early adopted by the Group 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 Group's financial statements:

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

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

Measurement convention

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

Currency presentation

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

Going concern

The Directors have undertaken a thorough assessment of the Group's financial forecasts to 31 December 2023, including the continuing impact of Covid-19 on its operations within the UK. 2021 was an excellent year for the UK housing market in terms of number of transactions, and the Group's ability to capitalise on the favourable market conditions enabled it to report a significantly increased profit for the year.

On 8 March 2021 the Group took out a £253.0m loan from Skipton Building Society, its ultimate parent undertaking, in order to fund the acquisition of Countrywide plc ("Countrywide"). The loan provided the capital to acquire Countrywide, settle the existing debt within Countrywide and enable substantial investment and working capital for the Group. The strong trading during the year has allowed the Group to repay £125.0m of the capital balance of the loan prior to the year end, and the outstanding liability at the year end is £128.2m. There are no covenants attached to the loan.

The Group is also funded by its operating profits and the cash thereby generated. For the year ended 31 December 2021 the Group reported a net profit before tax of £111.3m (2020: £51.8m) and at 31 December 2021 had cash balances amounting to £119.1m (2020: £103.1m), even after paying dividends totaling £60.0m (2020: £20.0m) to its shareholders and the loan repayments of £125.0m above. At the date of signing these accounts, the Group continues to hold a substantial working cash balance of £97.7m (2020: £93.6m).

The Group 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 Group and Company for the year ended 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

a) Basis of accounting *(continued)*

The Directors have also performed extensive stress testing to model potential market shocks, including any continuing or worsening impact of the Covid-19 pandemic, and their potential impact on business volumes. In particular the Directors have considered and modelled a number of severe but plausible scenarios, including the impact of a material downturn in the UK housing market caused by the ongoing Covid-19 pandemic or other political and economic circumstances. The key assumptions used in this severe stress scenario are as follows:

- UK housing market transactions fall to the levels seen in the 2008 financial crisis, the lowest on record, a decline of over 30% on the base scenario. This would have a proportionate impact on most revenue streams as volumes decline.
- House price deflation of 30%.
- Mitigating actions to reduce headcount, capital expenditure and marketing spend.
- No government support has been assumed to be available, but any support available would likely be utilised and improve the liquidity position further.

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

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

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

Put options

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

b) Basis of consolidation

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

Business combinations

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

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

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

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

Subsidiaries and joint ventures

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

Non-Controlling Interest

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

Loss of control

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

Transactions eliminated on consolidation

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

c) Revenue recognition

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

- Estate Agency sales commissions, new homes, 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. An element of mortgage services income has been assessed as transferred over time, in line with the performance obligations in the contract.
- Insurance commission income is recognised upon fulfilment of contractual obligations as part of the mortgage process, being when the insurance policy is put on risk; less a provision for expected future clawback repayment in the event of early termination by the customer.
- Survey & Valuation revenue is recognised on the date that the survey or valuation report is completed, at which point all performance obligations are considered to have completed. Revenue and costs are recognised gross of sub-contracted panel fees.
- Asset management commission earned is accounted for on exchange of contracts and additional services are recognised upon completion of work, recognised on a cost basis within contract assets; both of which are at the point all performance obligations are considered to have completed.
- All other income is recognised in line with when contractual obligations have been met.
- Commissions earned on sales of commercial property are recognised at a point in time, upon the exchange of contracts for such sales.

d) Property, plant and equipment

Property, plant and equipment are stated in the Statement of Financial Position at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of assets less their estimated residual values over their estimated useful lives at the following rates:

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

e) Goodwill

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

Where the Group acquires a majority shareholding in a subsidiary, but grants the non-controlling interests an option to sell their shares to the Group at some future date, on acquisition the Group estimates the fair value of the total consideration payable in calculating the goodwill arising. In subsequent periods, for any put options written prior to the adoption of IFRS 3 (2008), any amendment to the Group's estimation of the fair value of the consideration remaining payable will result in a restatement in the goodwill. For any put options written after the adoption of IFRS 3 (2008), any amendments to the estimation of the fair value of the consideration payable are recorded in profit/loss. The put options in place and treatment of any changes in the value of the option are as follows as at 31 December 2021:

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

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

f) Intangible assets

Intangible assets include acquired customer contracts and relationships, brands, software development costs and purchased software that in the opinion of the directors meets the definition of an intangible asset. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the day they are available for use. The estimated useful lives are as follows:

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

Finite life intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

g) Impairment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

h) Non-derivative financial instruments

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

Trade and other receivables

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

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

Trade and other payables

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

Financial assets

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

Investments - Company

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

Cash and cash equivalents

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

i) Employee benefits

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

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

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

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

Defined contribution plans

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

i) Employee Benefits *(continued)*

Short term benefits

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

j) Leases

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

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

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

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

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

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

k) Provisions for liabilities and charges

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

l) Taxation

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

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the year end, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

l) Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each year end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each year end and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

m) Net financing costs

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

n) Dividend income

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

o) Joint arrangements

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

p) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income against the related cost, on a systematic basis over the periods the cost is incurred. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The Group also has to make judgements in applying its accounting policies which affect the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key estimates, assumptions and judgements are set out below:

Put option obligation

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

Retirement benefit obligations

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies *(continued)*

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

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

Assumption	Change in assumption	2021	2020
<i>Connells (2014) Group Pension Scheme</i>			
Discount Rate	Decrease of 0.25% p.a.	Increase by 4.3%	Increase by 4.7%
Rate of inflation	Increase 0.25% p.a.	Increase by 2.1%	Increase by 2.3%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.8%	Increase by 3.9%
<i>Countrywide Plc Pension Scheme</i>			
Discount Rate	Decrease of 0.25% p.a.	Increase by 3.1%	Increase by 3.5%
Rate of inflation	Increase 0.25% p.a.	Increase by 0.2%	Increase by 0.2%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 6.5%	Increase by 5.5%

For the Connells (2014) Group Pension Scheme; the average duration of the defined benefit obligation at the period ending 31 December 2021 was 18 years (2020: 18 years).

For the Countrywide Plc Pension Scheme; the average duration of the defined benefit obligation at the period ending 31 December 2021 was 12 years (2020: 14 years).

Impairment of investments and goodwill

In determining whether an impairment loss should be recognised in the Income Statement, management compare the future cash flows of each subsidiary against its carrying value. The key assumptions for the value in use calculations are those regarding the cash flows, discount rates and growth rates. The Group prepares cash flow forecasts on the assumption that the subsidiaries are held for long-term investment. The cash flows are derived from the most recent financial budgets for the next five years, which take into account the risks inherent in the businesses. For all CGU's the cash flows are extrapolated for subsequent years based on long-term growth rate of 2.5% (2020: 2.5%). The Group estimates discount rates based on the current cost of capital adjusted for the risks inherent in its subsidiaries. The pre-tax discount rate used in 2021 was 13.59% (2020: 13.55%). Refer to note 11 for sensitivities.

Provisions

Provision is made for professional indemnity claims and potential claims that arise during the normal course of business in relation to surveys and valuations performed by the Group. Where a formal letter of claim has been received a provision is made on a case by case basis, taking into account the strength of the Group's case, and its history of successfully defending claims. Where initial notification of claims has been received, an estimate is made of the proportion of these expected to lead to a formal claim based upon historical trends. Finally, provision is also made for the estimated level of claims incurred but not yet reported at the reporting date (IBNR), taking into account market conditions and a prudent attitude to risk.

The provision for insurance commission clawback is estimated using anticipated cancellation rates of term insurance policies. This provision is based on the clawback period from the sign up date of the term insurance policy. The cancellation rates used in calculating the provision are revisited every quarter.

Acquisitions

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

IFRS 16

The changes to critical estimates and assumptions used by the Group as a result of adopting IFRS 16, that have an effect on the reported amounts of assets and liabilities, are outlined below.

Lease term

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. Expenses and Auditor's remuneration

Profit before tax is stated after charging / (crediting) the following:

	Notes	Group Year ended 2021 £000	Group Year ended 2020 £000
Depreciation of property, plant and equipment	10	8,562	8,503
Profit on disposal of property, plant and equipment		(445)	(163)
Amortisation of intangibles	11	59,729	3,678
Impairment losses on trade receivables		1,048	408
Short term lease payments charged to operating expenses		501	241
Business rates relief	25	(4,828)	(3,728)
Auditor's remuneration and expenses			
Audit of these financial statements - Group		1,417	272
Audit of these financial statements - Company		637	38

3. Revenue

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

2021	Products and services transferred at a point in time £000	Products and services transferred over time £000	Total 2021 £000
Commissions earned on property sales	360,629	125	360,754
Commissions earned on property lettings	183,009	-	183,009
Income from sale of financial services products	152,179	13,029	165,208
Survey and valuation income	132,004	-	132,004
Conveyancing income	65,312	-	65,312
Commercial income	44,420	34,900	79,320
Other income and commissions	13,323	530	13,853
	950,876	48,584	999,460
2020	Products and services transferred at a point in time £000	Products and services transferred over time £000	Total 2020 £000
Commissions earned on property sales	142,973	157	143,130
Commissions earned on property lettings	58,938	-	58,938
Income from sale of financial services products	80,202	10,802	91,004
Survey and valuation income	51,579	-	51,579
Conveyancing income	26,443	-	26,443
Other income and commissions	3,367	570	3,937
	363,502	11,529	375,031

4. Finance income

	Group Year ended 2021 £000	Group Year ended 2020 £000
Interest on bank deposits	258	5
Interest receivable from Group undertakings	136	423
Other interest receivable	-	13
	394	441

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Finance costs

	Group Year ended 2021 £000	Group Year ended 2020 £000
Net interest payable on pension liabilities (see note 23)	491	756
Movement on put option liability interest	81	(20)
Interest on lease liabilities	1,473	932
Interest payable to Parent undertaking	5,056	-
	<u>7,101</u>	<u>1,668</u>

6. Other operating income

	Group Year ended 2021 £000	Group Year ended 2020 £000
Rents receivable under property leases	716	480
Profit on sale of fixed assets	445	163
Fair value changes in financial instruments held at FVTPL	1,916	(63)
Government grants (see note 25)	-	822
	<u>3,077</u>	<u>1,402</u>

7. Staff numbers and costs

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

	Group 2021 No.	Group 2020 No.
Directors	8	7
Other	13,726	6,767
	<u>13,734</u>	<u>6,774</u>

The aggregate payroll costs of these persons was as follows:

	£000	£000
Wages and salaries	525,788	194,725
Social security costs	56,877	21,780
Other pension costs	15,249	5,855
	<u>597,914</u>	<u>222,360</u>

Wages and salaries are stated after crediting £nil (2020: £21.2m) of government grants received under the Coronavirus Job Retention Scheme (CJRS). Further details are provided in note 25.

	Group Year ended 2021 £000	Group Year ended 2020 £000
Directors' emoluments		
Directors' emoluments	8,719	1,299
Company contributions to defined contribution pension schemes	-	2
	<u>8,719</u>	<u>1,301</u>

Two of the Directors are remunerated by another Group company (2020: Two). During the year £63,000 (2020: £30,900) was charged to the Group for their services.

The aggregate of emoluments of the highest paid Director was £3,144,956 (2020: £352,539). There were no contributions to defined contribution pension schemes (2020: £nil) included within this total.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Tax expense

	Group Year ended 2021 £000	Group Year ended 2020 £000
a) Analysis of expense in the year at 19% (2020: 19%)		
Current tax expense		
Current tax at 19% (2020: 19%)	18,429	11,091
Adjustment in respect of prior years	(395)	(121)
Total current tax	18,034	10,970
Deferred tax (income) / expense		
Origination and reversal of temporary differences	(413)	(112)
Adjustment in respect of prior years	(285)	266
Effect of changes in tax rates	(840)	(260)
Total deferred tax (see note 15)	(1,538)	(106)
Tax expense	16,496	10,864

b) Factors affecting current tax expense in the year

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

Profit before tax	111,324	51,799
Tax on profit at UK standard rate of 19% (2020: 19%)	21,152	9,842
Effects of:		
Non-taxable income from joint ventures	(235)	(637)
Expenses not deductible for tax purposes	1,808	2,134
Adjustment to tax expense in respect of prior years	(680)	146
Income not taxable	(5,961)	(361)
Change in tax rates	(840)	(260)
Higher tax rates on overseas earnings	(412)	-
Tax assets recognised on losses	(160)	-
Reversal of deferred tax asset previously recognised	1,625	-
Other	199	-
Tax expense recognised in Income Statement	16,496	10,864

c) Income tax recognised in Other Comprehensive Income

	Group Year ended 2021 £000	Group Year ended 2020 £000
Deferred tax debit/ (credit) in respect of retirement benefit obligations	2,356	(2,120)
Current tax (credit) in respect of retirement benefit obligations	(1,445)	(250)
Tax expense/ (income) recognised in Other Comprehensive Income	911	(2,370)

9. Dividends

	Year ended 2021 £000	Year ended 2020 £000
Amounts recognised as distributions to equity holders in the period:		
Dividends for the year paid on 'A' shares	60,000	20,000

The dividend per share totalled £5.80 (2020: £1.93). No dividends (2020: nil) were paid to the holders of 'D', 'E' or 'F' ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Property, plant and equipment

Group

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

Company

	Land and buildings £000	Equipment fixtures and fittings £000	Motor Vehicles £000	Company total £000
Cost				
At 1 January 2021	4,410	5,671	-	10,081
Additions	170	1,413	21	1,604
Disposals	(269)	-	-	(269)
At 31 December 2021	4,311	7,084	21	11,416
Accumulated depreciation and impairment				
At 1 January 2021	1,856	1,271	-	3,127
Depreciation charge for the year	323	1,664	-	1,987
Disposals	(68)	(15)	-	(83)
At 31 December 2021	2,111	2,920	-	5,031
Carrying amounts				
At 1 January 2021	2,554	4,400	-	6,954
At 31 December 2021	2,200	4,164	21	6,384

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Property, plant and equipment *(continued)*

Group	Land and buildings £000	Equipment fixtures and fittings £000	Motor vehicles £000	Group total £000
Cost				
At 1 January 2020	43,928	32,338	16,809	93,075
Additions	520	2,865	1,216	4,601
Disposals	(572)	(409)	(2,261)	(3,242)
At 31 December 2020	43,876	34,794	15,764	94,434
Accumulated depreciation and impairment				
At 1 January 2020	23,129	25,182	9,835	58,146
Depreciation charge for the year	3,329	3,294	1,880	8,503
Disposals	(283)	(295)	(1,810)	(2,388)
At 31 December 2020	26,175	28,181	9,905	64,261
Carrying amounts				
At 1 January 2020	20,799	7,156	6,974	34,929
At 31 December 2020	17,701	8,613	5,859	30,173
Company				
	Land and buildings £000	Equipment fixtures and fittings £000	Motor Vehicles £000	Company total £000
Cost				
At 1 January 2020	4,028	970	-	4,998
Transfers from another Group Company	304	4,217	-	4,521
Additions	105	484	-	589
Disposals	(27)	-	-	(27)
At 31 December 2020	4,410	5,671	-	10,081
Accumulated depreciation and impairment				
At 1 January 2020	1,667	970	-	2,637
Depreciation charge for the year	189	301	-	490
At 31 December 2020	1,856	1,271	-	3,127
Carrying amounts				
At 1 January 2020	2,361	-	-	2,361
At 31 December 2020	2,554	4,400	-	6,954

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Intangible assets

Group	Goodwill £000	Brands £000	Computer software £000	Customer contracts & relationships £000	Total £000
Cost					
At 1 January 2021	93,509	6,499	12,859	30,268	143,135
Recognised on acquisition of subsidiary undertakings	82,562	54,740	3,465	104,394	245,161
Additions	-	-	4,055	-	4,055
Put option reassessment	398	-	-	-	398
Disposals	-	-	(105)	(1,804)	(1,909)
At 31 December 2021	176,469	61,239	20,274	132,858	390,840
Amortisation and impairment losses					
At 1 January 2021	6,705	-	8,319	27,487	42,511
Amortisation charge for the year	-	-	5,245	54,484	59,729
Disposals	-	-	(105)	(1,804)	(1,909)
At 31 December 2021	6,705	-	13,459	80,166	100,331
Carrying amounts					
At 1 January 2021	86,804	6,499	4,540	2,781	100,624
At 31 December 2021	169,764	61,239	6,815	52,691	290,509

	Goodwill £000	Brands £000	Computer software £000	Customer contracts & relationships £000	Total £000
Cost					
At 1 January 2020	93,539	6,499	11,624	29,552	141,214
Recognised on acquisition of subsidiary undertakings	845	-	-	716	1,561
Additions	-	-	1,235	-	1,235
Put option reassessment	(875)	-	-	-	(875)
At 31 December 2020	93,509	6,499	12,859	30,268	143,135
Amortisation and impairment losses					
At 1 January 2020	4,705	-	6,600	25,528	36,833
Amortisation charge for the year	-	-	1,719	1,959	3,678
Impairment	2,000	-	-	-	2,000
At 31 December 2020	6,705	-	8,319	27,487	42,511
Carrying amounts					
At 1 January 2020	88,834	6,499	5,024	4,024	104,381
At 31 December 2020	86,804	6,499	4,540	2,781	100,624

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Intangible assets (continued)

Company

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

	Computer software Total £000
Cost	
At 1 January 2020	-
Transfers from another Group company	3,752
Additions	203
At 31 December 2020	3,955
Amortisation and impairment losses	
At 1 January 2020	-
Amortisation charge for the year	235
At 31 December 2020	235
Carrying amounts	
At 1 January 2020	-
At 31 December 2020	3,720

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Intangible assets *(continued)*

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

Group	Goodwill Carrying value 2021 £000	Brands Carrying value 2021 £000	Goodwill Carrying value 2020 £000	Brands Carrying value 2020 £000
Cash Generating Unit				
Sequence (UK) Limited	40,775	-	40,428	-
Connells Residential	6,494	-	6,150	-
Sharman Quinney Holdings Limited	6,202	-	5,804	-
Peter Alan Limited	5,770	2,317	5,770	2,317
Gascoigne Halman Group Limited	6,239	2,982	6,239	2,982
RMS Estate Agents Limited	325	1,200	325	1,200
The Asset Management Group Limited	8,456	-	8,456	-
The New Homes Group Limited	13,182	-	13,182	-
Connells Survey & Valuation	450	-	450	-
*Countrywide Estate Agents	27,375	42,641	-	-
*Countrywide Surveyors Limited	31,329	-	-	-
*Lambert Smith Hampton Group Limited	14,559	12,099	-	-
*Mortgage Intelligence Limited	5,386	-	-	-
*The Buy to Let Business Limited	942	-	-	-
*JAM Advisors Limited	2,280	-	-	-
	169,764	61,239	86,804	6,499

*On acquisition of the Countrywide Group in March 2021, six separate cash-generating units (CGUS) were identified for the purpose of assessing the carrying value of goodwill and brand, see note 24 for further details.

During the year the put option relating to Sharman Quinney Holdings Limited was reassessed in the year based on current and expected trading expectations, resulting in a £398k increase in goodwill.

In March 2021 Sequence (UK) Limited and Connells Residential completed acquisitions which increased the goodwill held by those entities by £347k and £344k respectively.

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

Key assumptions

The value-in-use calculation for each of the above CGUs is most sensitive to the following assumptions:

- Forecast cash flows
- Long term growth rate
- Discount rates

Forecast cash flows reflect how management believe the business will perform over the short term five year period and are used to calculate the value-in-use of the CGUs. The Group prepares cash-flow forecasts on the assumption that the subsidiaries are held for long-term investment. The cash flows for the Estate Agency and Survey and Valuation businesses are derived from the most recent financial budgets for the next five years, which take into account the risks inherent in the businesses

The growth rate reflects how management believe the business will perform over the long term, and extrapolate cash flows for subsequent years, generally based on a long-term growth rate of 2.5% (2020: 2.5%).

Discount rates reflect management's estimate of the post-tax Weighted Average Cost of Capital (WACC) of the Group and this is the benchmark used by management to assess operating performance and to evaluate future acquisition proposals. The pre-tax discount rate was 13.59% (2020: 13.55%)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Intangible assets (continued)

Sensitivities

Management has undertaken sensitivity analyses to determine the effect of changes in assumptions on the 2021 impairment reviews. The key assumptions driving the carrying values are the discount rate applied to the cash flow forecasts and the growth rates within the cash flow forecast for both the next five years and the long term.

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

For Asset Management Group, sensitivity was assessed by increasing the discount rate by 2.5% to 16.09%, which would lead to an impairment of £1.1m. Further assessment revealed that the discount rate would have to increase by 1.7% to 15.29% for an impairment to arise. As an additional test to the sensitivity the long term growth rate was decreased by 2.5% resulting in an £0.1m impairment, and a 5% decrease which would lead to an impairment of £1.9m. The 5 year forecast cash flows were reduced by 10% which would not give rise to an impairment, however when reduced by 20% an impairment of £0.4m would arise.

Across the remaining CGUs, it would require a significant decline in performance to trigger an impairment. To test the sensitivity the discount rate was increased by 5% to 18.59%, resulting in an impairment of £nil. Further assessment revealed that the discount rate would have to increase by 7.07% to 20.66% to trigger an impairment. The sensitivity to the long term growth rate was also tested, decreases of 5% year on year would result in an impairment of £nil, and decreases of 15% would lead to an impairment of £0.7m. For the 5 year forecast cash flows decreases of 10% would not result in an impairment, and decreases of 50% would result in an impairment of £0.8m.

12. Right-of-use assets

Group

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Right-of-use assets *(continued)*

Group

	Land and buildings £000	Equipment £000	Motor vehicles £000	Group total £000
Cost				
At 1 January 2020	55,117	5,310	1,125	61,552
Additions	6,084	83	472	6,639
Disposals	(1,900)	-	(223)	(2,123)
Modifications	3,493	-	(145)	3,348
At 31 December 2020	62,794	5,393	1,229	69,416
Accumulated depreciation and impairment				
At 1 January 2020	12,023	-	547	12,570
Depreciation charge for the year	12,109	809	427	13,345
Impairment	1,407	-	-	1,407
Disposals	(1,457)	-	(223)	(1,680)
Modifications	31	-	(145)	(114)
At 31 December 2020	24,113	809	606	25,528
Carrying amounts				
At 1 January 2020	43,094	5,310	578	48,982
At 31 December 2020	38,681	4,584	623	43,888

Company

	Equipment £000	Total £000
Cost		
At 1 January 2021	-	-
Additions	207	207
At 31 December 2021	207	207
Accumulated depreciation and impairment		
At 1 January 2021	-	-
Depreciation charge for the year	41	41
Impairment	-	-
At 31 December 2021	41	41
Carrying amounts		
At 1 January 2021	-	-
At 31 December 2021	166	166

For the year ended 31 December 2020, the Company held no Right-of-use Assets with a carrying amount at the year-end of £nil.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments

At 31 December 2021, the Company owns equity share capital in the following joint venture, which is incorporated and trades in the UK, as follows:

Name of joint venture	Nature of business	Proportion of ordinary shares held 2021	Proportion of ordinary shares held 2020
Cybele Solutions Holdings Limited	Conveyancing services	50.0%	50.0%

At 31 December 2020, the Company also owned 33.3% of the equity in TM Group (UK) Limited, a property search provider, and 46.1% of the equity in Vibrant Energy Matters Limited, a home energy, property and eco services provider, both of which are incorporated and trade within the UK. On 8 March 2021, as a result of the acquisition of Countrywide, the Group gained control of both companies which became subsidiary undertakings. As explained in Note 24, the Group subsequently disposed of its entire shareholding in TM Group (UK) Limited.

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

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

Group	Group 2021 £000	Group 2020 £000
Joint Ventures		
Balance at 1 January	13,264	12,531
Share of joint venture profits after tax	1,237	3,364
Dividends received	(2,139)	(1,175)
Impairment	-	(1,456)
Transferred on step acquisition	(2,886)	-
At 31 December	9,476	13,264

Investment in joint ventures	Group 2021 £000	Group 2020 £000
Share of joint ventures'		
Non-current assets	8,907	13,050
Current assets	2,617	6,887
Current liabilities	(2,048)	(6,673)
Net assets at 31 December	9,476	13,264
Share of joint ventures'		
Income	12,747	35,136
Admin expenses	(10,496)	(30,131)
Depreciation and amortisation	(724)	(1,174)
Interest income	-	3
Profit before tax	1,527	3,834
Taxation	(290)	(470)
Profit and total comprehensive income	1,237	3,364

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments *(continued)*

The following table details financial information for the joint venture held at 31 December 2021, together with the Group's share.

Cybele Solutions Holdings Limited	2021	2020
	£000	£000
Non-current assets	7,066	6,463
Current assets	5,233	6,045
Current liabilities	(4,095)	(3,488)
Net assets at 31 December	8,204	9,020
Group's share of net assets	4,102	4,510
Investment	5,374	5,374
Carrying amount of interest in joint ventures	9,476	9,884
Income	17,807	19,723
Admin expenses	(14,458)	(16,475)
Depreciation and amortisation	(1,346)	(1,515)
Interest income	-	2
Profit before tax	2,003	1,735
Taxation	(462)	(140)
Profit and total comprehensive income	1,541	1,595
Group's share of profit and total comprehensive income	770	797

The following tables detail financial information for those former joint ventures, together with the Group's share. The share of profit and total comprehensive income is shown up to 8 March 2021, as explained further in note 24.

TM Group (UK) Limited	2021	2020
	£000	£000
Non-current assets	-	10,454
Current assets	-	10,386
Current liabilities	-	(12,575)
Net assets at 31 December	-	8,265
Group's share of net assets	-	2,752
Investment	-	48
Carrying amount of interest in joint ventures	-	2,800
Income	9,266	66,677
Admin expenses	(7,803)	(56,158)
Depreciation and amortisation	(135)	(1,142)
Interest income	-	6
Profit before tax	1,328	9,383
Taxation	(129)	(1,165)
Profit and total comprehensive income	1,199	8,218
Group's share of profit and total comprehensive income	399	2,737

Vibrant Energy Matters Limited	2021	2020
	£000	£000
Non-current assets	-	1,292
Current assets	-	881
Current liabilities	-	(1,611)
Net assets at 31 December	-	562
Group's share of net assets	-	259
Investment	-	321
Carrying amount of interest in joint ventures	-	580
Income	1,625	6,657
Admin expenses	(1,429)	(6,921)
Depreciation and amortisation	(14)	(79)
Profit before tax	182	(343)
Taxation	(35)	(26)
Profit and total comprehensive income	147	(369)
Group's share of profit/ (loss) and total comprehensive income	68	(170)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments *(continued)*

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

Company	Shares in group undertakings £000	Interest in joint ventures and associates £000	Total £000
Cost			
At 1 January 2021	122,339	12,772	135,111
Additions	132,356	-	132,356
Transferred on step acquisition	4,862	(4,862)	-
Disposals	(4,862)	-	(4,862)
Put option reassessment	398	-	398
At 31 December 2021	255,093	7,910	263,003
Amortisation and impairment losses			
At 1 January 2021	4,859	1,456	6,315
Impairment	-	-	-
Transferred on step acquisition	-	(456)	(456)
At 31 December 2021	4,859	1,000	5,859
Carrying amounts			
At 1 January 2021	117,480	11,316	128,796
At 31 December 2021	250,234	6,910	257,143
Cost			
At 1 January 2020	123,214	12,772	135,986
Additions	-	-	-
Put option reassessment	(875)	-	(875)
At 31 December 2020	122,339	12,772	135,111
Amortisation and impairment losses			
At 1 January 2020	2,859	-	2,859
Impairment	2,000	1,456	3,456
At 31 December 2020	4,859	1,456	6,315
Carrying amounts			
At 1 January 2020	120,355	12,772	133,127
At 31 December 2020	117,480	11,316	128,796

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments *(continued)*

At 31 December 2021, the Company owns equity share capital in the following trading subsidiary undertakings, which are all incorporated in the UK:

Name of subsidiary undertaking	Principal nature of business	Proportion of ordinary shares held 2021	Proportion of ordinary shares held 2020
Connells Residential ^a	Residential estate agency	100%	100%
Conveyancing Direct Limited ^a	Licensed Conveyancer	100%	100%
Connells Survey & Valuation Limited ^a	Residential surveying and valuations	100%	100%
The Asset Management Group Limited ^b	Asset management	75%	75%
AMG North East Limited ^b	Asset management	100% ²	100% ²
AMG Projects Limited ^b	Maintenance of properties for resale	100% ²	100% ²
Gascoigne Halman Group Limited ^a	Intermediate holding company	82.75%	82.75%
Gascoigne Halman (Holdings) Limited ^a	Intermediate holding company	100% ⁵	100% ⁵
Gascoigne Halman Limited ^c	Residential estate agency	100% ¹²	100% ¹²
Gascoigne Halman Private Finance Limited ^c	Advising on and arranging financial products	100% ¹²	100% ¹²
Just Wills Limited ^a	Will writing and associated services	100% ¹¹	100% ¹¹
Just Wills Group Limited ^a	Will writing and associated services	100% ⁹	100% ⁹
Just Wills Holdings Limited ^a	Will writing and associated services	100%	100%
Pattison Lane Estate Agents Limited ^a	Residential estate agency	95% ¹	95% ¹
Peter Alan Limited ^a	Residential estate agency	100%	100%
Protection Helpline Limited ^a	Advising on and arranging financial products	100%	100%
Redstone Wills Limited ^d	Will writing and associated services	100%	100%
RMS Estate Agents Limited ^a	Residential estate agency	95%	95%
RMS Mortgage Services Limited ^a	Advising on and arranging financial products	100% ⁷	100% ⁷
Sequence (UK) Limited ^a	Residential estate agency	100%	100%
Sharman Quinney Holdings Limited ^a	Residential estate agency	95%	95%
The New Homes Group Limited ^a	Agents for insurance and mortgage related products, new homes marketing and operating as an estate agency.	100%	100%
Vibrant Energy Matters Limited ^f	Property services including energy performance certificates	78.44%	46.1%
Zeus Financial Services Limited ^a	Advising on and arranging financial products	100%	100%
AgencyPro Limited ^g	Provision of regulatory training	100% ¹³	-
Associated Employers Limited ^h	Recruitment Services	100% ¹⁴	-
Capital Private Finance Limited ⁱ	Financial Services	100% ¹⁵	-
Countrywide Estate Agents ^g	Estate Agency and Lettings	100% ¹⁶	-
Countrywide Group Holdings Limited ^g	Holding company	100% ¹⁵	-
Countrywide Group Limited ^g	Holding company	100% ¹⁵	-
Countrywide Limited ^g	Holding company	100%	-
Countrywide Principal Services Limited ⁱ	Financial Services	100% ¹⁶	-
Countrywide Property Lawyers Limited ⁱ	Conveyancing Services	100% ¹⁶	-
Countrywide Surveyors Limited ^g	Surveying Services	100% ¹⁶	-
JAM Advisors Limited ^k	Financial Services	100% ¹⁷	-
Lambert Smith Hampton (Nireland) Limited ^b	Surveying Services	100% ¹⁸	-
Lambert Smith Hampton Group Limited ^h	Property consultancy	100% ¹⁹	-
Lambert Smith Hampton Investment Management Limited ^h	Investment brokerage	100% ¹⁸	-
Lambert Smith Hampton Limited ^h	Holding Company	100% ²⁰	-
Life and Easy Limited ⁱ	Financial Services	100% ²¹	-
Mortgage Intelligence Holdings Limited ⁱ	Financial Services	100% ²⁰	-
Mortgage Intelligence Limited ⁱ	Financial Services	100% ²¹	-
Mortgage Next Limited ⁱ	Financial Services	100% ²¹	-
Mortgage Next Network Limited ⁱ	Financial Services	100% ²²	-
Slater Hogg Mortgages Limited ⁱ	Financial Services	100% ¹⁶	-
The Buy To Let Business Limited ⁱ	Financial Services	100% ²³	-
The Buy To Let Group Limited ⁱ	Financial Services	100% ²⁰	-
TitleAbsolute Limited ^m	Conveyancing Services	100% ²⁰	-

Connells Residential and Countrywide Estate Agents are unlimited Companies.

Put options exist over the non-controlling interests in The Asset Management Group Limited, Gascoigne Halman Group Limited, Sharman Quinney Holdings Limited and RMS Estate Agents Limited.

A full list of subsidiary undertakings and their registered addresses at 31 December 2021 is included within the appendix. The appendix on pages 66 to 73 forms part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments *(continued)*

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

Registered Offices

- ^a Cumbria House, 16-20 Hockliffe Street, Leighton Buzzard, Bedfordshire, LU7 1GN
- ^b 13-21 High street, Guildford, Surrey, GU1 3DG
- ^c 42 Alderley Road, Wilmslow, Cheshire, SK9 1NY
- ^d Windmill Road, St Leonards on Sea, East Sussex, TN38 9BY
- ^e 4th floor, 115 George Street, Edinburgh, EH2 4JN
- ^f 2 Foxes Lane, Oakdale Business Park, Blackwood, Gwent, NP12 4AB
- ^g Greenwood House 1st Floor, 91-99 New London Road, Chelmsford, Essex, CM2 0PP
- ^h 180 Oxford Street, London, W1D 1NN
- ⁱ Countrywide House, 6 Caldecotte Lake Business Park, Caldecotte, Milton Keynes, MK7 8JT
- ^j Lee House, 90 Great Bridgewater Street, Manchester, Lancashire, M1 5RR
- ^k Suite 2a St David's Court, Union Street, Wolverhampton, United Kingdom, WV1 3JE
- ^l Roddis House 4th Floor, 4-12 Old Christchurch Road, Bournemouth, Dorset, BH1 1LG
- ^m Churchgate House 2nd Floor, 56 Oxford Street, Manchester, M1 6EU

The Company has guaranteed the liabilities of the following entities for the year ended 31 December 2021. They are therefore exempt from audit under the Companies Act (2006) section 479A.

AgencyPro Limited (Company number: 08613297)
Associated Employers Limited (Company number: 02367086)
AMG North East Limited (Company number: 03326785)
AMG Projects Limited (Company number: 04330364)
Capital Private Finance Limited (Company number: 07552028)
Countrywide Group Holdings Limited (Company number: 01837522)
Gascoigne Halman Private Finance Limited (Company number: 02274172)
Hall and Benson Limited (Company number: 08730244)
Holroyds Residential Limited (Company number: 09620942)
Just Wills Limited (Company number: 02427464)
Just Wills Group Limited (Company number: 05186807)
Just Wills Holdings Limited (Company number: 07485279)
Lambert Smith Hampton Limited (Company number: 02222001)
Lambert Smith Hampton Investment Management Limited (Company number: 11145793)
Life and Easy Limited (Company number: 05652516)
Mortgage Next Limited (Company number: 03175440)
Mortgage Next Network Limited (Company number: 04705100)
Pattison Lane Estate Agents Limited (Company number: 04730529)
Protection Helpline Limited (Company number: 09928334)
Redstone Wills Limited (Company number: 03673190)
RMS Mortgage Services Limited (Company number: 05605493)
Slater Hogg Mortgages Limited (Company number: 04206425)
Title Absolute Limited (Company number: 03958105)
The Buy to Let Group Limited (Company number: 09839405)
Zeus Financial Services Limited (Company number: 11727362)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. Financial assets	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Equity Investments				
Quoted shares carried at fair value	221	-	213	-
Unquoted shares carried at fair value	12,554	12,554	8,071	8,071
	12,775	12,554	8,284	8,071

Quoted shares carried at fair value

These comprise an equity investment in On The Market plc. The shares were valued at £221k at 31 December 2021, based on the closing share price at that date (2020: £213k).

Unquoted shares carried at fair value

The Group's holding of unlisted investments comprises minority shareholding investments in Hearthstone Investments plc, Viewber Limited, Global Property Ventures Limited, Twenty7Tec Group Limited and ZPG Property Services Holdings Limited.

The Directors have reviewed the carrying value of Viewber Limited, based on recent trading performance, outlook and expectations of the value of the business and have concluded that the cost of investment of £350k (2020: £350k) is the best indication of its fair value.

The Directors have reviewed the carrying value of Global Property Ventures Limited, based on recent trading performance, outlook and expectations of the value of the business and have concluded that the cost of investment of £1,157k (2020: £709k) is the best indication of its fair value.

The Group holds share warrants in ZPG Property Services Holdings Limited, valued at £11,047k (2020: £6,537k) based on an independent third party valuation.

As explained in note 22, the Group holds a 17% stake (2020: 17%) in Hearthstone Investments Limited, valued at £nil (2020: £nil). The Group also holds a 2% (2020: 2%) interest in Twenty7Tec Limited, valued at £nil (2020: £nil).

As explained in note 24, the Group disposed of its investment in Tactile Limited during the year.

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

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Balance at 1 January	8,284	8,071	4,689	4,575
Recognised on acquisition of subsidiary undertakings	5,417	5,356	-	-
Additions	1,755	1,755	3,341	155
Fair value adjustment	5,495	5,457	254	3,341
Disposals	(8,175)	(8,084)	-	-
At 31 December	12,776	12,555	8,284	8,071

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. Deferred tax

Deferred tax balances are calculated on temporary differences under the liability method using an effective tax rate of 25% (2020: 19%) as this is the enacted rate that is expected to apply when the temporary differences reverse.

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

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Deferred tax asset at 1 January	11,099	9,172	8,960	6,957
Charged to the income statement				
Income Statement (debit)/ credit	1,253	(25)	372	99
Adjustments in respect of prior periods	285	(231)	(266)	(4)
Movement arising from the acquisition or disposal of a business	4,515	-	(87)	-
Charged to the statement of comprehensive income:				
Arising in respect of pension obligations	(2,356)	(2,040)	2,120	2,120
Deferred tax asset at 31 December	14,796	6,875	11,099	9,172

Deferred tax assets are attributable to the following items:

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Capital allowances	15,143	(198)	1,824	88
Intangible assets	(21,115)	(214)	(566)	-
Losses	12,760	-	-	-
Provision	3,251	1,558	1,297	522
Pension obligations	6,334	6,570	8,609	8,609
Gain deferred by roll over relief	(888)	-	-	-
Other	(689)	(841)	(65)	(47)
Deferred tax asset at 31 December	14,796	6,875	11,099	9,172

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

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Capital allowances	2,421	(287)	873	89
Intangible assets	5,083	(214)	(413)	-
Losses	(4,530)	-	-	-
Provision	1,730	1,036	(71)	41
Other	(3,166)	(793)	(283)	(35)
Deferred tax (charged)/ credited to income for the year	1,538	(256)	106	95

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. Deferred tax (continued)

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

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Pension obligations	(2,356)	(2,040)	2,120	2,120
Deferred tax credited/ (charged) to other comprehensive income for the year	(2,356)	(2,040)	2,120	2,120

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.

Unrecognised deferred tax relating to losses carried forward at 31 December 2021 comprises capital losses of £56,769k (2020: £474k) and other tax losses of £1,707k (2020: Nil).

The unrecognised deferred tax assets based on the above losses have increased materially following the acquisition of the Countrywide Group in the year. There is no expectation that these losses will be able to be used in the near future.

16. Trade and other receivables

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Trade receivables	71,738	-	26,535	-
Amounts due from ultimate parent undertaking	646	-	668	-
Amounts due from subsidiary undertakings	-	42,146	-	8,252
Other receivables	10,215	2,224	3,523	3,129
Prepayments and accrued income	25,880	2,388	8,864	1,851
Contract assets	1,328	-	781	-
Bad debt provision	(4,154)	-	(2,475)	-
	105,653	46,758	37,896	13,232

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

Group	2021 £000 Gross	2021 £000 Impairment	2020 £000 Gross	2020 £000 Impairment
Not overdue	34,057	(693)	9,413	(154)
Overdue 0-30 days	26,985	(9)	11,505	(11)
Overdue 31-120 days	7,220	(862)	3,713	(877)
Overdue 120 days plus	3,476	(2,590)	1,904	(1,433)
	71,738	(4,154)	26,535	(2,475)

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

Group	2021 £000	2020 £000
At 1 January	(2,475)	(2,091)
Recognised on acquisition of subsidiary undertakings	(2,895)	-
Provisions made during the year	(346)	(891)
Receivables written off during the year	1,048	408
Provisions no longer required	514	99
At 31 December	(4,154)	(2,475)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16. Trade and other receivables *(continued)*

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

17. Cash and cash equivalents

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Bank balances	53,557	6,827	31,613	5,592
Call deposits	65,500	65,500	71,440	71,440
	<u>119,057</u>	<u>72,327</u>	<u>103,053</u>	<u>77,032</u>

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

Bank balances include £4,273,000 (2020: £nil) which are subject to restrictions on withdrawal and are therefore not available for general use by entities within the Group.

Companies within the Skipton Group have provided cross guarantees to certain banks in the event they enter an overdraft position. At 31 December bank overdrafts and loans subject to such guarantees were £nil (2020: £nil).

18. Trade and other payables

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Due within one year				
Trade and other payables	28,856	2,077	7,993	2,176
Other taxes and social security	36,443	65	14,509	415
Amounts owed to ultimate parent undertaking	14,041	14,041	5,224	5,224
Amounts owed to subsidiary undertakings	-	53,445	-	40,525
Accruals and deferred income	81,385	4,700	26,167	3,050
Put option obligation	7,635	7,635	6,010	6,010
	<u>168,362</u>	<u>81,963</u>	<u>59,903</u>	<u>57,400</u>
Due after more than one year				
Trade and other payables	11,584	9,275	4,677	1,165
Amounts owed to ultimate parent undertaking	119,423	119,423	-	-
Amounts owed to credit institutions	1,000	-	-	-
Put option obligation	1,075	1,075	898	898
	<u>133,082</u>	<u>129,773</u>	<u>5,575</u>	<u>2,063</u>

Amounts owed to the ultimate parent undertaking by both the Group and Company include £128.2m (2020: £nil) relating to a 20 year unsecured loan expiring in 2041, repayable in equal semi-annual instalments, but which can be repaid earlier in whole or in part at the Company's discretion without penalty. The interest rate payable on the loan is SONIA + 2.86%.

Amounts owed to credit institutions comprise £1.0m (2020: £nil) of unsecured loan notes which are non-interest bearing, repayable in 2029. The Group inherited the loan on Acquisition of Countrywide Plc on 8 March 2021 (see Note 24) with no change in its terms.

The movement within the fair value of the put option obligation is summarised below:

	Group & Company 2021 £000	Group & Company 2020 £000
At 1 January	6,908	7,486
Unwind of the discount factor	133	148
Re-evaluation of future exercise dates	(52)	(168)
Re-evaluation of market value	1,721	(558)
Exercise of put option	-	-
At 31 December	<u>8,710</u>	<u>6,908</u>

During 2021 the fair value of the put option obligations relating to Gascoigne Halman Group Limited and RMS Estate Agents Limited were increased by £1,323k, reflecting expectations around the valuation based on current and forecast trading. The fair value of the put option obligations relating to The Asset Management Group Limited and Sharman Quinney Holdings Limited were increased by £nil and £398k respectively based on trading expectations, but these impact goodwill rather than the income statement.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18. Trade and other payables (continued)

In the prior year the fair value of the put option obligations relating to Gascoigne Halman Group Limited and RMS Estate Agents Limited were increased by £317k, reflecting expectations around the valuation based on current and forecast trading. The fair value of the put option obligations relating to The Asset Management Group Limited and Sharman Quinney Holdings Limited were reduced by £875k based on trading expectations, but these impact goodwill rather than the income statement.

19. Lease liabilities

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

Group

	Group 2021 £000	Group 2020 £000
Cost		
At 1 January	45,148	48,331
Recognised on acquisition of subsidiary undertakings	76,366	-
Additions	7,426	6,730
Interest charged	1,479	932
Lease payments	(40,372)	(13,931)
Disposals	(396)	(444)
Modifications	8,861	3,530
At 31 December	<u>98,512</u>	<u>45,148</u>

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

	Group 2021 £000	Group 2020 £000
<i>Lease liabilities are repayable:</i>		
In not more than 3 months	4,061	3,215
In more than 3 months but less than 1 year	19,546	7,490
In more than 1 year but less than 5 years	60,856	26,457
In more than 5 years	14,049	7,986
	<u>98,512</u>	<u>45,148</u>

Company

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20. Provisions

(a) Property provisions

The dilapidation provision is accrued on the basis of amounts identified at the date of property acquisition, less any subsequent expenditure, or where a section 412 notice or schedule of dilapidations has been received from the landlord. Provision is made for properties with non-cancellable leases where the Group no longer occupies the property. The provision represents the rent to the end of the lease, less any rental income from subletting the properties. The provision for the costs of closed branches is expected to reverse over the remaining life of the leases, or period to the anticipated date of disposal, if sooner.

(b) Insurance commission clawback

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

(c) Professional indemnity obligations

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

Valuation claims

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

Defect claims

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20. Provisions (continued)

Group

	Property provisions £000	Insurance commission clawback £000	Professional indemnity obligations £000	Other £000	Total £000
At 1 January 2021	1,245	12,474	4,169	68	17,956
Recognised on acquisition of subsidiary undertakings	10,730	1,682	5,362	1,488	19,262
Provisions made during the year	(324)	13,171	-	386	13,233
Released during the year	-	-	(748)	-	(748)
Provisions utilised in the year	(574)	(12,228)	(1,294)	(239)	(14,335)
At 31 December 2021	11,077	15,099	7,489	1,703	35,368
Due within one year or less	4,385	9,919	5,564	1,620	21,488
Due after more than one year	6,692	5,180	1,925	83	13,880
At 1 January 2020	1,404	13,668	4,015	3,384	22,471
Provisions made during the year	134	9,170	571	72	9,947
Released during the year	(258)	(59)	(297)	(905)	(1,519)
Provisions utilised in the year	(35)	(10,305)	(120)	(2,483)	(12,943)
At 31 December 2020	1,245	12,474	4,169	68	17,956
Due within one year or less	867	7,934	2,944	68	11,813
Due after more than one year	378	4,540	1,225	-	6,143

Company

	Insurance commission clawback £000
At 1 January 2021	2,556
Provisions made during the year	2,234
Released during the year	-
Provisions utilised in the year	(2,165)
At 31 December 2021	2,625
Due within one year or less	1,684
Due after more than one year	941
At 1 January 2020	-
Transfers made during the year	2,562
Provisions made during the year	443
Released during the year	-
Provisions utilised in the year	(449)
At 31 December 2020	2,556
Due within one year or less	1,684
Due after more than one year	941

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

21. Share capital

	Year ended 2021 £000	Year ended 2020 £000
Group & Company		
Allotted, called up and fully paid		
10,346,500 (2020: 10,346,500) 'A' ordinary shares of 0.0001p each	1	1
Nil (2020: 2,105) 'D' ordinary shares of 0.0001p each	-	-
9,274 (2020: 9,274) 'E' ordinary shares of £0.0001p each	-	-
6,182 (2020: 6,182) 'F' ordinary shares of £0.0001p each	-	-
	<u>1</u>	<u>1</u>

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

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

During the year, the 'D' ordinary shareholder (a Director) exercised his options over 2,105 'D' ordinary shares. Consequently, Skipton Group Holdings Limited purchased these shares, which were immediately converted into 2,105 'A' ordinary shares in accordance with the Company's Articles of Association, for £0.8m. The Company then repurchased these 2,105 'A' ordinary shares for a consideration equal to their nominal value, £0, and immediately then cancelled the shares.

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

Management of capital

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

	Group 31 December 2021 £000	Company 31 December 2021 £000	Group 31 December 2020 £000	Company 31 December 2020 £000
Capital				
Ordinary shares	1	1	1	1
Share premium	25,988	25,988	25,988	25,988
Capital redemption reserve	3,000	3,000	3,000	3,000
Translation reserve	9	-	-	-
Retained earnings	188,529	147,654	143,646	110,155
Non-controlling interest	332	-	-	-
	<u>217,859</u>	<u>176,643</u>	<u>172,635</u>	<u>139,144</u>

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

The Group's objectives when managing capital are:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22. Related party transactions

Group			Transaction amounts		Balance owing/(owed)	
Entity	Related party relationship	Transaction type	2021 £000	2020 £000	2021 £000	2020 £000
Skipton Building Society	Parent Undertaking	Interest received	136	423	-	-
Skipton Building Society	Parent Undertaking	Administrative expenses	(3,027)	(1,755)	(5,240)	-
Skipton Building Society	Parent Undertaking	Commissions received	11,144	9,935	646	668
Skipton Building Society	Parent Undertaking	Treasury Loan	(253,000)	-	(128,000)	-
Skipton Building Society	Parent Undertaking	Treasury Loan Interest	(5,056)	-	(224)	-
TM Group (UK) Limited	Joint Venture Partner	Dividend	961	1,175	961	1,175
Vibrant Energy Matters Limited	Joint Venture Partner	Purchase of goods & services	(331)	(2,023)	-	(2)
TM Group (UK) Limited	Joint Venture Partner	Purchase of goods & services	(330)	(1,185)	-	(11)
TM Group (UK) Limited	Joint Venture Partner	Sale of goods and services	603	2,913	603	665
Legal Marketing Services Limited	Joint Venture Partner	Dividend	1,178	-	1,178	-
Hearthstone Investments Plc	Investment	Sale of goods and services	-	41	384	-

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

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

Company

Company			Transaction Amounts		Balance Owing/(owed)	
Entity	Related Party relationship	Transaction Type	2021 £000	2020 £000	2021 £000	2020 £000
Skipton Building Society	Parent Undertaking	Interest receivable	46	65	-	-
Skipton Building Society	Parent Undertaking	Interest payable	-	-	-	(5,224)
Skipton Building Society	Parent Undertaking	Purchase of services	(3,027)	(1,755)	(5,240)	-
Skipton Building Society	Parent Undertaking	Treasury Loan	(253,000)	-	(128,000)	-
Skipton Building Society	Parent Undertaking	Treasury Loan Interest	(5,056)	-	(224)	-
Other group companies		Purchase of services	-	-	(53,445)	(40,525)
Other group companies		Sale of services	35,437	32,785	42,146	8,252

On 8 March 2021 Connells acquired Countrywide Plc (see note 24 for further details). In order to fund the transaction, a £253.0m loan was extended to Connells Limited by Ultimate Parent Skipton Building Society, of which a balance of £128.0m (2020: £nil) remains outstanding on the principal amount owed. At the year end, £224,000 (2020: £nil) of accrued loan interest is outstanding.

Included in cash and cash equivalents for the Group and Company is £65,500,000 (2020: £71,440,000) of cash held on deposit with Skipton Building Society. All transactions are at arm's length and are provided under normal trade credit terms.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22. Related party transactions (continued)

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

	Year ended 2021 £	Amount outstanding 31 December 2021 £	Year ended 2020 £	Amount outstanding 31 December 2020 £
Estate agency fees, paid by Directors and Directors' family members	1,800	-	-	-
Lettings fees, paid by Directors and Directors' family members	7,898	-	9,550	-
Total	9,698	-	9,550	-

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

Two Directors hold ordinary shares in Hearthstone Investments Limited, a Company in which the Group holds a 17.1% stake (2020: 17.1%). At 31 December 2021 the two Directors hold 9.5% and 1.5% respectively (2020: 9.5% and 1.5%).

23. Pensions

Defined Benefit Schemes

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

	Group 31 December 2021 £000	Company 31 December 2021 £000	Group 31 December 2020 £000	Company 31 December 2020 £000
Non-current Assets:				
Retirement Benefit Asset	1,244	-	-	-
	1,244	-	-	-
Non-current Liabilities:				
Retirement Benefit Obligation	12,973	12,973	45,307	45,307
	12,973	12,973	45,307	45,307

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions (continued)

Connells (2014) Group Pension Scheme

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

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

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

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

Scheme expenses and levies to the Pension Protection Fund are payable by the Group as and when they are due and are accounted for within administrative expenses. For the purposes of IAS19 the actuarial valuation, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2021.

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

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

	2021 Group & Company	2020 Group & Company
Discount rate	1.80%	1.45%
Retail Price Inflation (RPI) rate	3.40%	3.00%
Consumer Price Inflation (CPI) rate	2.90%	2.50%
Increase to defined benefits during deferment (CPI link)	2.90%	2.50%
Increases to pension payment (CPI link)	1.95-2.90%	1.95-2.50%

The most significant non-financial assumption is the assumed rate of longevity. For the year ended 31 December 2021, this has been based on mortality rates that are 98% of the S3PxA tables projected using CMI_2020 converging to 1.00% p.a. The tables adopted imply the following life expectancy:

Non-retired members

	2021	2020
Male retiring in the year	22.1 years	22.1 years
Female retiring in the year	24.4 years	24.3 years
Males retiring in 2036	22.7 years	22.8 years
Females retiring in 2036	25.2 years	25.2 years

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

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

	Group & Company 2021 £000	Group & Company 2020 £000
Fair value of plan assets	118,173	94,118
Present value of defined benefit obligations	(131,146)	(139,425)
Defined benefit pension liability	(12,973)	(45,307)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions *(continued)*

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

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

	2021 Group & Company £000	2020 Group & Company £000
Fair value of assets at the start of the year	94,118	86,976
Return on plan assets (excluding amounts recognised in interest income)	4,555	7,316
Interest income	1,495	1,764
Ongoing deficit contributions	2,880	2,880
Lump sum contribution	20,000	-
Benefits paid	(4,875)	(4,818)
Fair value of assets at end of year	<u>118,173</u>	<u>94,118</u>

	2021 Group & Company £000	2020 Group & Company £000
Defined benefit obligation at start of the year	139,425	125,145
Interest cost	1,986	2,520
Actuarial (gains)/losses	(5,390)	15,768
Benefits paid	(4,875)	(4,818)
Past service costs	-	811
Expenses	-	(1)
Defined benefit obligation at end of year	<u>131,146</u>	<u>139,425</u>

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

	2021 Group & Company £000	2020 Group & Company £000
Diversified Growth Vehicles	10,361	50,780
Liability Driven Investments [†]	35,178	43,172
Cash	17,237	166
Debt	23,540	-
Equities	31,857	-
Total fair value of plan assets	<u>118,173</u>	<u>94,118</u>

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions (continued)

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

	2021 Group & Company £000	2020 Group & Company £000
Interest cost	491	756
Past service costs	-	811
Total	<u>491</u>	<u>1,567</u>

The best estimate of the aggregate contributions expected to be paid to the Scheme during the year ending 31 December 2022 are £2,922,000 (2021: £22,880,000).

Countrywide Plc Pension Scheme

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

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

Scheme expenses and levies to the Pension Protection Fund are payable by the Group as and when they are due and are accounted for within administrative expenses. For the purposes of IAS19 the actuarial valuation, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2021.

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

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

	2021 Group	2020 Group
Rate of increase in pensions in payment and deferred pensions:		
• On benefits earned prior to 6 April 1997	4.00%	-
• On benefits earned between 6 April 1997 and 1 December 1999	4.25%	-
• On benefits earned after 1 December 1999	3.30%	-
Discount rate	1.80%	-
Retail Price Inflation (RPI) rate	4.25%	-
Consumer Price Inflation (CPI) rate	2.90%	-
Increase to defined benefits during deferment (CPI link)	2.90%	-
Increases to pension payment (CPI link)	1.95-2.90%	-

The most significant non-financial assumption is the assumed rate of longevity. For the year ended 31 December 2021, this has been based on mortality rates that are 98% of the S3PxA tables projected using CMI_2020 converging to 1.00% p.a. The tables adopted imply the following life expectancy:

Non-retired members

	2021	2020
Male retiring in the year	21.9 years	-
Female retiring in the year	24.2 years	-
Males retiring in 2041	22.9 years	-
Females retiring in 2041	25.4 years	-

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions (continued)

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

	Group 2021 £000	Group 2020 £000
Fair value of plan assets	51,779	-
Present value of defined benefit obligations	(50,535)	-
Defined benefit pension asset	<u>1,244</u>	<u>-</u>

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

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

	2021 Group £000	2020 Group £000
Fair value of assets at the start of the year	51,535	-
Return on plan assets (excluding amounts recognised in interest income)	2,057	-
Interest income	719	-
Ongoing deficit contributions	-	-
Expenses	(257)	-
Benefits paid	(2,275)	-
Fair value of assets at end of year	<u>51,779</u>	<u>-</u>

	2021 Group £000	2020 Group £000
Defined benefit obligation at start of the year	51,627	-
Interest cost	722	-
Actuarial losses/ (gains)	461	-
Benefits paid	(2,275)	-
Defined benefit obligation at end of year	<u>50,535</u>	<u>-</u>

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

	2021 Group £000	2020 Group £000
Diversified Growth Vehicles	3,642	-
Liability Driven Investments ¹	4,377	-
Cash	689	-
Debt	1,411	-
Absolute Return bond fund	4,791	-
Insured Pensioners	36,869	-
Total fair value of plan assets	<u>51,779</u>	<u>-</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions (continued)

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

	2021 Group £000	2020 Group £000
Interest cost	3	-
Expenses	257	-
Total	<u>260</u>	<u>-</u>

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

Risks

Both Schemes are exposed to the following investment risks:

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

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

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

(i) Credit risk

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

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

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

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

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

(ii) Currency risk

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

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

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

(iii) Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions (continued)

(iv) Other price risk

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

Defined contribution schemes

The Group also operates a number of Group Personal Pension Schemes, the assets of which are held separately from those of the Group, as independently administered funds. The amount charged to the Income Statement in respect of defined contribution schemes is the contribution payable in the year and amounted to £15,247k (2020: £5,772k). There were no outstanding contributions (2020: £nil) at the end of the financial year.

24. Acquisitions

Acquisition of Countrywide

On 8 March 2021, Connells acquired the entire issued share capital of Countrywide for £3.95 per share for a total cash consideration of £131.8m. Countrywide is a property services group with over 600 branches across the UK. The acquisition has complemented the Group's existing services, enhanced its value proposition for customers and benefitted consumers as a whole. The Group continues to believe that a well-invested high street branch network, coupled with a diversified brand portfolio, provides an attractive offering to its customers. The Group considers that the branch network of Countrywide is a key asset and intends to maintain and enhance Countrywide's current branding and service offering, while leveraging its own track record of positive investment in people and technology. An added benefit has been that the enlarged Connells Group can provide exciting career opportunities for both Connells and Countrywide employees, and has the potential to attract the best talent in the industry across all areas of expertise.

The table below sets out the values of the identifiable assets and liabilities acquired. In accordance with IFRS 3 *Business Combinations*, the acquisition accounting is subject to finalisation within 12 months of the acquisition date.

	Book Value at 8 March 2021 £000	Fair Value Adjustments £000	Accounting policy adjustments £000	Fair value at 8 March 2021 £000
Assets				
Cash and cash equivalents (note 1)	10,801	-	-	10,801
Trade and other receivables	88,213	3,566	(1,064)	90,715
Property, Plant and Equipment (note 2)	12,918	-	(8,497)	4,421
Right-of-use assets (note 10)	32,437	14,148	-	46,585
Intangible assets (note 3)	56,923	113,861	(10,525)	160,259
Investments (notes 4 to 6)	3,332	31,528	-	34,860
Deferred tax assets (note 7)	20,377	11,176	3,816	35,370
Total assets	225,001	174,279	(16,270)	383,009
Liabilities				
Trade and other payables	109,596	(166)	-	109,430
Corporation tax	1,290	44	-	1,334
Provisions	18,779	481	-	19,260
Amounts owed to credit institutions (note 8)	94,000	-	-	94,000
Deferred tax liabilities (note 9)	8,484	22,383	-	30,867
Retirement benefit obligations	888	(796)	-	92
Other liabilities	1,775	-	-	1,775
Lease Liabilities	65,681	10,685	-	76,366
Total liabilities	300,493	32,631	-	333,124
Net assets/(liabilities)	(75,493)	141,648	(16,270)	49,885
Fair value of net assets acquired				49,885
Goodwill arising on acquisition				81,871
Total consideration				131,756

Notes

1. With respect to 'Cash and cash equivalents', amounts acquired on 8 March 2021 of £10.8m excludes fixed deposits not immediately accessible of £10.8m, stated within trade and other receivables.
2. The accounting policy adjustment of £(8.5)m is to align with the Group's existing capitalisation policies.
3. The total fair value of intangible assets represents amounts in respect of brands £54.7m, sales pipeline £28.5m, customer contracts and relationships £74.5m and computer software £2.6m. The fair value adjustments totalling £113.9m reflect management's assessments, using methodologies that are in line with industry best practice. The accounting policy adjustment of £(10.5)m is to align with the Group's existing capitalisation policy for computer software. Brands are judged by management to have an indefinite life; the amounts in respect of other intangibles will be amortised over periods of up to five years (sales pipeline: less than one year; customer contracts and relationships: one to five years; computer software: three to five years).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

24. Acquisitions *(continued)*

4. The book value of investments acquired includes £3.2m in respect of Countrywide's 33.3% shareholding as at 8 March 2021 in TM Group (UK) Limited (TMG). This investment was deemed to have a fair value at that date of £29.3m, based on sale proceeds which the Group subsequently received on disposal of this investment; a fair value adjustment of £26.1m is therefore recognised at acquisition. In addition, Connells separately held an existing 33.3% shareholding in TMG; prior to 8 March 2021, the Group accounted for this investment as a joint venture using the equity accounting method. Immediately following the acquisition of Countrywide on 8 March 2021, the Group held a combined shareholding in TMG of 66.6%; management judged that control of TMG was acquired by the Group with effect from that date such that TMG became a subsidiary undertaking. The acquisition of TMG as a subsidiary undertaking was achieved in stages (a 'step-acquisition') and, in accordance with IFRS 3 Business Combinations, the Group remeasured its previously held 33.3% shareholding in TMG to fair value as at 8 March 2021; the Group assessed this fair value to be £29.3m, based on sale proceeds which the Group subsequently received on disposal of this investment, and the resulting gain of £27.1m is recognised in the Income Statement for the year (included within the line item 'Fair value gains on step-acquisition of Group undertakings'). Also on 19 March 2021, the Group disposed of a 1.9% shareholding in TMG for sale proceeds of £0.6m; the cash proceeds for this disposal were received in July 2021. On 8 July 2021, the Group disposed of its remaining 64.7% shareholding in TMG for cash proceeds of £58.0m.
5. The book value of investments acquired also includes £0.1m in respect of Countrywide's 15.4% shareholding as at 8 March 2021 in Vibrant Energy Matters Limited (VEM). This investment was deemed to have a fair value at that date of £0.3m; a fair value adjustment of £0.2m is therefore recognised at acquisition. In addition, Connells separately held an existing 46.1% shareholding in VEM; prior to 8 March 2021, the Group accounted for this investment as a joint venture using the equity accounting method. Following the acquisition of Countrywide, the Group held a combined shareholding in VEM of 61.5% as at 8 March 2021; management judged that control of VEM was acquired by the Group with effect from that date such that VEM became a subsidiary undertaking. The acquisition of VEM as a subsidiary undertaking was achieved in stages and, in accordance with IFRS 3 Business Combinations, the Group remeasured its previously held 46.1% shareholding in VEM to fair value as at 8 March 2021; the Group assessed this fair value to be £0.5m and the resulting loss of £0.2m is recognised in the Income Statement for the year (included within the line item 'Fair value gains on step-acquisition of Group undertakings'). On 24 June 2021, the Group acquired a further 12.6% shareholding in VEM for cash consideration of £0.6m. As at 31 December 2021 the Group held a 78.4% shareholding in VEM.
6. The fair value of investments includes £5.1m in respect of Countrywide's equity share investment as at 8 March 2021 in Tactile Limited (trading as Fixflo), which was disposed of by the Group on 21 May 2021 for sale proceeds of £5.1m. The book value of this investment as at 8 March 2021 was £nil and therefore a fair value adjustment of £5.1m is recognised at acquisition to reflect the amount subsequently received on disposal. In addition, Connells separately held an existing shareholding in Fixflo which was also disposed of by the Group on 21 May 2021 for sale proceeds of £2.7m; total sale proceeds received by the Group for its combined shareholding in Fixflo were therefore £7.8m.
7. At 8 March 2021 Countrywide had unused tax losses of £64.4m for which the related deferred tax assets had not been recognised; Countrywide had not previously recognised these assets due to uncertainties regarding the entity's future profitability. Management's latest trading forecasts now indicate it is likely that the tax losses could be utilised within three to five years. A fair value adjustment is therefore made to recognise deferred tax assets of £12.2m in respect of these tax losses. In addition, there are further fair value adjustments of £(1.1)m that relate to several minor items, taking the total to £11.2m as shown above. The accounting policy adjustment of £3.8m relates to the deferred tax impacts of the other accounting policy adjustments shown in the table above.
8. Amounts owed to credit institutions consist of £1.0m of non-interest bearing loans and a £93.0m rolling credit facility.
9. The fair value adjustment of £22.4m relates to the deferred tax impact of amounts recognised at acquisition in respect of intangible assets (see note 3 above).
10. The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition, resulting in a fair value adjustment to increase lease liabilities by £10.7m. The related right-of-use assets were measured at an amount equal to the lease liabilities, adjusted for favourable/unfavourable lease terms relative to market terms, and impairment was assessed by reference to branch-level cash generating units; this resulted in fair value adjustments to increase right-of-use assets by £14.1m.

At the acquisition date, the contractual amount outstanding of trade and other receivables was £83.1m; the best estimate of amounts not expected to be collected was £2.9m. The goodwill arising on the acquisition of Countrywide is mainly attributable to expected cash flows from new customers obtained post acquisition through improved market penetration in the branch network and significant synergies which are expected to be realised. The acquisition brings together two highly complementary businesses, and synergies are expected to be achieved through management driving revenue opportunities in the Countrywide business, particularly through building a stronger and more efficient branch network. The business will invest in technology and people to improve its service offerings, while maintaining its branch network. The goodwill arising on acquisition is not expected to be deductible for tax purposes.

From the date of acquisition, the acquired Countrywide business contributed total income of £516.1m and profit before tax of £60.9m to the Group's consolidated Income Statement for the year ended 31 December 2021; these amounts exclude the impact of Group-level items relating to this acquisition, including an accounting adjustment to charge £52.4m of amortisation during the year against intangible assets recognised on acquisition. If the results of Countrywide were consolidated for the full financial year, as if the acquisition had taken place at 1 January 2021, the Group's total income for the year ended 31 December 2021 would have been £1,103.8m and Group profit before tax for the year ended 31 December 2021 would have been £107.4m; these amounts have been determined assuming all other things being equal, including an assumption that the fair values of assets acquired would not be materially different if the acquisition date had been 1 January 2021. Transaction costs of £2.1m were incurred by the Group in 2021 in relation to the acquisition (2020: £nil). These costs were expensed to the Income Statement and are included within 'Administrative expenses'.

Key judgements

The fair value calculation of the intangible assets acquired on acquisition is a key judgement area where there is estimation uncertainty. The intangibles predominantly relate to estate agency and commercial brands, sales pipelines, and customer contracts identified in the surveying, lettings and commercial areas of the business. The brands have been valued using the relief from royalty method, with the key inputs being the royalty rate, forecast revenue streams and long term growth rate. The sales pipelines were valued using the straight income approach applying an estimation of the costs to convert the pipeline. The customer contracts were valued using the excess earnings method with key inputs including the forecast cash flows and expected customer attrition rate.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

24. Acquisitions (continued)

Acquisition and disposal of TM Group (UK) Limited

TM Group (UK) Limited (TMG), a provider of property searches and services, became a subsidiary undertaking on 8 March 2021. For details of this acquisition, which was achieved in stages (a 'step-acquisition'), see footnote 4 to the table shown above.

Having met the conditions in accordance with IFRS 5 *Non-current Assets Held for Sale*, the Group's interest in TMG was classified at 8 March 2021 as held for sale. The Group's interest in TMG was measured to fair value at 8 March 2021, when TMG became a subsidiary undertaking, and amounts were based on the expected sale proceeds. Following a minor disposal on 19 March 2021, the Group disposed of its remaining interest in TMG on 8 July 2021 for cash consideration of £58.0m; as the Group's interest in TMG was held at fair value, there was no gain or loss on disposal.

Acquisition of Vibrant Energy Matters Limited

Vibrant Energy Matters Limited (VEM), a provider of home energy, property and eco services, became a subsidiary undertaking on 8 March 2021. For details of this acquisition, which was achieved in stages (a 'step-acquisition'), see footnote 5 to the table above. The revenue generated in 2021 by this business was £6.7m and it contributed £0.3m in profit before tax.

Other acquisitions

During the year, the Group acquired a further three small estate agency and/or lettings businesses for total consideration of £1.7m, of which £0.4m is deferred. Goodwill recognised was £0.7m (see Note 11 above). The revenue and pre-tax profit generated by these businesses in 2021 was £2.6million and £0.8 million respectively.

During the prior year, the Group acquired four small estate agency and/or lettings businesses for total consideration of £1.5m, of which £170k is deferred. Goodwill recognised was £864k. The revenue and pre-tax profit generated by these businesses in 2020 was £3.0million and £0.7 million respectively.

25. Government grants

	2021 Group £000	2020 Group £000
At 1 January	124	-
Received during the year	(4,952)	(25,525)
Released to the income statement	4,828	25,649
At 31 December	-	124
Current	-	124
Non-current	-	-

Government grants were received during 2021 relating to business rates relief £4.8m (2020: £3.7m) within other operating expenses in note 2. Amounts claimed relating to the Coronavirus Job Retention Scheme were £nil (2020: £21.2m within employee benefit expenses in note 7) and Retail Cash Grant Scheme £nil (2020: £0.8m within other income in note 6).

On acquisition of Countrywide £22.5m VAT payments had been deferred, these were repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

26. Financial instruments

Financial risks

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

Liquidity risk

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

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

2021

Group	Carrying amount £000	Contractual cash flows £000	In not more than 3 months £000	In more than 3 months but not less than 1 year £000	In more than one year but not more than 5 years £000	In more than 5 years £000
Trade and other payables	154,335	154,335	133,039	-	7,635	13,661
Amounts owing to group companies	133,464	133,464	5,240	8,772	35,089	84,363
Lease liabilities	98,512	107,740	4,330	20,709	63,070	19,631
Total	386,311	395,539	142,609	29,481	105,794	117,655
Company						
Trade and other payables	24,828	24,827	6,543	-	7,635	10,650
Amounts owing to group companies	186,910	186,910	5,240	62,217	35,089	84,363
Lease liabilities	182	184	19	57	108	-
Total	211,920	211,921	11,802	62,274	42,832	95,013

2020

Group	Carrying amount £000	Contractual cash flows £000	In not more than 3 months £000	In more than 3 months but not less than 1 year £000	In more than one year but not more than 5 years £000	In more than 5 years £000
Trade and other payables	60,254	60,254	48,669	-	6,010	5,575
Amounts owing to group companies	5,224	5,224	5,224	-	-	-
Lease Liabilities	45,148	52,262	3,163	8,155	27,211	13,733
Total	110,626	117,740	57,056	8,155	33,221	19,308
Company						
Trade and other payables	13,715	13,715	5,642	-	6,010	2,063
Amounts owing to group companies	45,749	45,749	45,749	-	-	-
Total	59,464	59,464	51,391	-	6,010	2,063

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

26. Financial instruments (continued)

Market risk

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

Currency risk

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

Interest rate risk

The Group and Company have no interest bearing liabilities. The Group and Company are exposed to movements in interest rates on intercompany balances and on monies held on deposit with its ultimate parent undertaking, Skipton Building Society. This exposure is monitored on a continuous basis.

Credit risk

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

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

	2021 Group £000	2020 Group £000
Cash and cash equivalents	119,057	103,053
Trade receivables	67,584	24,060
Other receivables	13,692	3,523
Amounts due from ultimate parent undertaking	646	668
	<u>200,979</u>	<u>131,304</u>

As stated in note 16, trade and other receivables are current assets and are expected to convert to cash over the next twelve months

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

	2021 Group £000	2020 Group £000
Individual customers	20,711	5,540
Major lenders	17,373	1,652
Other commercial customers	33,654	19,343
	<u>71,738</u>	<u>26,535</u>

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

26. Financial instruments (continued)

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

	2021 Group £000	2020 Group £000
A+	53,557	29,229
A-	65,500	73,824
	<u>119,057</u>	<u>103,053</u>

Capital management

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

Valuation techniques

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

Level 1

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

Level 2

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

Level 3

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

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

Financial Assets/ Liabilities	Quoted prices in active markets (level 1) £000	Valuation techniques using observable inputs (level 2) £000	Valuation techniques using significant unobservable inputs (level 3) £000	Total £000
Group and Company – 2021				
Quoted shares	221	-	-	221
Unquoted shares	-	-	12,555	12,555
Put option liabilities	-	(8,710)	-	(8,710)
Total	<u>221</u>	<u>(8,710)</u>	<u>12,555</u>	<u>4,066</u>
Group and Company – 2020				
Quoted shares	213	-	-	213
Unquoted shares	-	-	8,071	8,071
Put option liabilities	-	(6,908)	-	(6,908)
Total	<u>213</u>	<u>(6,908)</u>	<u>8,071</u>	<u>1,376</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

26. Financial instruments (continued)

Changes in liabilities arising from financing activities

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

Group	At 1 January 2020 £000	Arising on Acquisition £000	Additions £000	Cash Flows £000	Interest and other non- cash movements £000	At 31 December 2020 £000
Loan from Ultimate Parent Undertaking (Note 22)	-	-	-	-	-	-
Amounts owed to credit institutions (Note 18)	-	-	-	-	-	-
Lease liabilities (Note 19)	48,331	-	6,730	(13,931)	4,018	45,148
Total	48,331	-	6,730	(13,931)	4,018	45,148
Company						
Loan from Ultimate Parent undertaking (Note 22)	-	-	-	-	-	-
Amounts owed to credit institutions (Note 18)	-	-	-	-	-	-
Lease liabilities (Note 19)	-	-	-	-	-	-
Total	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

27. Capital commitments

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

Group	Year ended 2021 £000	Year ended 2020 £000
Motor vehicles	9,535	-
Improvements	142	-
At 31 December	9,677	-

Company	Year ended 2021 £000	Year ended 2020 £000
Motor vehicles	8,414	-
Improvements	-	-
At 31 December	8,414	-

28. Client monies

As at 31 December 2021, monies held by the Group in separate bank accounts on behalf of clients amounted to £453,222,000 (2020: £88,945,000). Neither this amount, nor the matching liabilities to the related clients are included in the Group balance sheet.

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

29. Ultimate parent undertaking

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

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

Appendix – Related undertakings of the Group at 31 December 2021

Company Name	Registered address (refer to notes)	Country of incorporation	% owned	Direct/indirect (Group interest)
A3 Countrywide Limited	3	UK	100%	Indirect
Abbotts Estate Agents Ltd	3	UK	100%	Indirect
Accord Properties Limited	3	UK	100%	Indirect
Acornsrl Limited	3	UK	100%	Indirect
Aeromind Limited	3	UK	100%	Indirect
AgencyPro Limited	7	UK	100%	Indirect
Alan de Maid Limited	3	UK	100%	Indirect
Alan Harvey Property Services Limited	3	UK	100%	Indirect
Allguard Legal Services Limited	1	UK	100%	Indirect
AMG North East Limited	2	UK	100%	Indirect
AMG Projects Limited	2	UK	100%	Indirect
Anderson Estate Agents Limited	3	UK	100%	Indirect
APW Holdings Limited	3	UK	100%	Indirect
APW Management (Cobham) Limited	3	UK	100%	Indirect
APW Management (Esher) Limited	3	UK	100%	Indirect
APW Management (Sunninghill) Limited	3	UK	100%	Indirect
APW Management (Weybridge) Limited	3	UK	100%	Indirect
APW Management Services Limited	3	UK	100%	Indirect
Ashton Burkinshaw (Franchising) Limited	3	UK	100%	Indirect
Ashton Burkinshaw Limited	3	UK	100%	Indirect
Associated Employers Limited	3	UK	100%	Indirect
Austin & Wyatt Limited	3	UK	100%	Indirect
Avon Property (Wills) Limited	3	UK	100%	Indirect
Bairstow Eves Countrywide Limited	3	UK	100%	Indirect
Bairstow Eves Limited	3	UK	100%	Indirect
Baker Harris Saunders Group Limited	3	UK	100%	Indirect
Barrys (Surrey) Limited	3	UK	100%	Indirect
Beresford Adams Limited	3	UK	100%	Indirect
Berkeley Private Capital Ltd	3	UK	100%	Indirect
Blundells Property Services Limited	3	UK	100%	Indirect
Bridgfords Countrywide Limited	3	UK	100%	Indirect
Bridgfords Limited	3	UK	100%	Indirect
Buckell & Ballard Limited	3	UK	100%	Indirect
Bullock and Lees (Christchurch) Limited	3	UK	100%	Indirect
Burchell Edwards (Midlands) Limited	1	UK	100%	Direct
Bureau Properties Limited	7	UK	100%	Indirect
Buy to Let Club Limited	3	UK	100%	Indirect
CAG Overseas Investments Limited	3	UK	100%	Indirect
Capital Fine Homes Limited	3	UK	100%	Indirect
Capital Private Finance Limited	11	UK	100%	Indirect
Cardinal Mortgage Service Limited (The)	3	UK	100%	Indirect
Carol Whyte Property Management Limited	11	UK	100%	Indirect
Carson & Company Estate Agents Limited	3	UK	100%	Indirect
Castle Moat at Taunton Limited	3	UK	100%	Indirect
CEA Holdings Limited	3	UK	100%	Indirect
Chancery Law Services Limited	1	UK	100%	Indirect
Chamberlains Lettings Limited	3	UK	100%	Indirect
Chamberlains SGS Holdings Limited	3	UK	100%	Indirect
Chappell & Matthews Limited	3	UK	100%	Indirect
Chattings Limited	3	UK	100%	Indirect

Appendix – Related undertakings of the Group at 31 December 2021 (continued)

Company name	Registered address (refer to note)	Country of incorporation	Owned	Direct/indirect (Group interest)
CHK (Cobham) Ltd	8	UK	100%	Indirect
CHK (Esher) Limited	9	UK	100%	Indirect
Cliftons International Ltd	3	UK	100%	Indirect
Connell Wilson Limited	8	UK	100%	Indirect
Connells Estate Agents Limited	1	UK	100%	Direct
Connells Financial Services Limited	1	UK	100%	Direct
Connells Residential	1	UK	100%	Direct
Connells Survey & Valuation Limited	1	UK	100%	Direct
Conveyancing Direct Limited	4	UK	100%	Direct
Copleys of York Limited	8	UK	100%	Indirect
Cosec Management Services Limited	12	UK	100%	Indirect
Countrywide Conveyancing Limited	9	UK	100%	Indirect
Countrywide Corporate Property Services Limited	13	UK	100%	Indirect
Countrywide Estate Agents	7	UK	100%	Indirect
Countrywide Estate Agents (South) Limited	7	UK	100%	Indirect
Countrywide Estate Agents FS Limited	8	UK	100%	Indirect
Countrywide Estate Agents Nominees Limited	9	UK	100%	Indirect
Countrywide Financial Services (South) Limited	9	UK	100%	Indirect
Countrywide Group Holdings Limited	7	UK	100%	Indirect
Countrywide Home Movers Services Limited	9	UK	100%	Indirect
Countrywide Limited	7	UK	100%	Direct
Countrywide Mortgage Services Limited	8	UK	100%	Indirect
Countrywide North Limited	9	UK	100%	Indirect
Countrywide Part Exchange Solutions Limited	3	UK	100%	Indirect
Countrywide Principal Services Limited	10	UK	100%	Indirect
Countrywide Property Auctions Limited	7	UK	100%	Indirect
Countrywide Property Care Solutions Limited	9	UK	100%	Indirect
Countrywide Property Lawyers Limited	11	UK	100%	Indirect
Countrywide Relocation Solutions Limited	9	UK	100%	Indirect
Countrywide Repossession Solutions Limited	9	UK	100%	Indirect
Countrywide Residential Investments Limited	9	UK	100%	Indirect
Countrywide Residential Lettings Limited	7	UK	100%	Indirect
Countrywide Residential Lettings Nominees Limited	7	UK	100%	Indirect
Countrywide Surveyors Limited	7	UK	100%	Indirect
Countrywide UK Limited	9	UK	100%	Indirect
CRL Company Directors Limited	12	UK	100%	Indirect
CRL Company Secretaries Limited	12	UK	100%	Indirect
Curtis and Bains Limited	8	UK	100%	Indirect
Dickinson Harrison Limited	8	UK	100%	Indirect
Duck & Hedges Group Ltd	3	UK	100%	Indirect
Duck & Hedges Limited	3	UK	100%	Indirect
Edinburgh Property Letting Limited	11	UK	100%	Indirect
Entwistle Green Limited	3	UK	100%	Indirect
Executive Property Services Residential Ltd	9	UK	100%	Indirect
Executry Services Scotland Limited	5	UK	100%	Indirect
Faron Sutaria & Company Limited	8	UK	100%	Indirect
Finders Keepers Limited	9	UK	100%	Indirect
Fitz-Gibbon Limited	9	UK	100%	Indirect
Ford Property Services Limited	8	UK	100%	Indirect
Frank Innes Countrywide Limited	9	UK	100%	Indirect

Appendix – Related undertakings of the Group at 31 December 2021 (continued)

Company name	Registered address (refer to notes)	Country of incorporation	Owned	Direct/Indirect (Group interest)
Freeman Forman Letting Limited	8	UK	100%	Indirect
Freeman Forman Limited	8	UK	100%	Indirect
Fulfords Estate Agents Limited	8	UK	100%	Indirect
Gascoigne Halman Group Limited	1	UK	32.75%	Direct
Gascoigne Halman (Holdings) Limited	1	UK	100%	Indirect
Gascoigne Halman Limited	3	UK	100%	Indirect
Gascoigne Halman Private Finance Limited	3	UK	100%	Indirect
Gascoigne Pees Estate Agents Limited	8	UK	100%	Indirect
Gertingpet Limited	8	UK	100%	Indirect
Gilpro Management Limited	11	UK	100%	Indirect
Greene & Co Maintenance Limited	8	UK	100%	Indirect
Grosvenor Private Clients Limited	8	UK	100%	Indirect
Hall and Benson Limited	1	UK	100%	Indirect
Hamptons Estates Limited	7	UK	100%	Indirect
Hamptons Group Limited	9	UK	100%	Indirect
Hamptons International (Hong Kong) Limited	15	Hong Kong	100%	Indirect
Hamptons International (India) Private Limited	16	India	100%	Indirect
Hamptons International Mortgages Limited	9	UK	100%	Indirect
Hamptons Property Consultancy Limited	25	Barbados	100%	Indirect
Harecastle Limited	12	UK	100%	Indirect
Harrisons Estate Agents Limited	3	UK	100%	Indirect
Harvey Donaldson & Gibson Limited	17	UK	100%	Indirect
Hatched.co.uk Limited	1	UK	100%	Indirect
Hatchedepc.co.uk Limited	1	UK	100%	Indirect
HCW Estate Agents Limited	3	UK	100%	Indirect
HCW Group Limited	8	UK	100%	Indirect
HCW Insurance Services Limited	8	UK	100%	Indirect
Heritage Family Estates Limited	1	UK	100%	Indirect
Herring Baker Harris East Anglia Ltd	3	UK	100%	Indirect
Herring Baker Harris Europe Ltd	3	UK	100%	Indirect
Herring Baker Harris Nominees Limited	3	UK	100%	Indirect
Hetheringtons	3	UK	100%	Indirect
Hetheringtons Estate Agents Limited	7	UK	100%	Indirect
Hockleys Professional Limited	1	UK	100%	Direct
Holland Mitchell Limited	3	UK	100%	Indirect
Holroyds Residential Limited	1	UK	100%	Indirect
Home From Home Limited	3	UK	100%	Indirect
Housemans Management Company Limited	12	UK	100%	Indirect
Housemans Management Secretarial Limited	12	UK	100%	Indirect
Howunalis Limited	3	UK	100%	Indirect
Howuncea	3	UK	100%	Indirect
Howunsay	3	UK	100%	Indirect
Hurst Independent Financial Services Limited	3	UK	100%	Indirect
Ian Peat Property Management Limited	3	UK	100%	Indirect
IHLS Limited	1	UK	100%	Indirect
Ikon Consultancy Limited	3	UK	100%	Indirect
In Home Legal Services Limited	1	UK	100%	Indirect
Interest Only Solutions Limited	1	UK	100%	Direct
Interlet Property Management Limited	3	UK	100%	Indirect

Appendix – Related undertakings of the Group at 31 December 2021 (continued)

Company name	Registered address (refer to notes)	Country of incorporation	% owned	Direct indirect (Group interest)
Isite.UK.Com Limited	3	UK	100%	Indirect
JP & Brimelow (Lettings and Property Management) Limited	3	UK	100%	Indirect
JAM Advisors Limited	13	UK	100%	Indirect
JK Lettings Limited	3	UK	100%	Indirect
John Curtis Lettings & Management Limited	3	UK	100%	Indirect
John Curtis Limited	3	UK	100%	Indirect
John D Wood & Co. (Residential & Agricultural) Limited	26	UK	100%	Indirect
John D Wood & Co. Plc	3	UK	100%	Indirect
John Frances Limited	3	UK	100%	Indirect
John Francis (Wales) Limited	3	UK	100%	Indirect
Just Wills Limited	1	UK	100%	Indirect
Just Wills Group Limited	1	UK	100%	Indirect
Just Wills Holdings Limited	1	UK	100%	Direct
Kean Kennedy Ltd	17	UK	100%	Indirect
Kevin Henry Limited	1	UK	100%	Indirect
Kilroy Estate Agents Limited	3	UK	100%	Indirect
King & Chasemore Limited	3	UK	100%	Indirect
Knights of Bath Limited	3	UK	100%	Indirect
Knightsbridge Estate Agents and Valuers Limited	3	UK	100%	Indirect
Labyrinth Management Limited	12	UK	100%	Indirect
Lambert Smith Hampton (City) Limited	3	UK	100%	Indirect
Lambert Smith Hampton (NIreland) Limited	4	UK	100%	Indirect
Lambert Smith Hampton Group (Overseas) Limited	3	UK	100%	Indirect
Lambert Smith Hampton Group Limited	3	UK	100%	Indirect
Lambert Smith Hampton Investment Management Limited	3	UK	100%	Indirect
Lambert Smith Hampton Limited	3	UK	100%	Indirect
Lambert Smith Hampton Limited (Ireland)	24	Ireland	100%	Indirect
Lampons Residential Limited	3	UK	100%	Indirect
Land and New Homes Countrywide Limited	3	UK	100%	Indirect
Lanes Land Limited	3	UK	100%	Indirect
Lanes Property Agents (Cheshunt) Limited	3	UK	100%	Indirect
Leasehold Legal Services Limited	3	UK	100%	Indirect
Leasemanco Limited	12	UK	100%	Indirect
Legal Services Probate Limited	1	UK	100%	Indirect
Legal Services UK Limited	1	UK	100%	Indirect
Let Lucas Rental Specialists Limited	3	UK	100%	Indirect
Let Verde Limited	3	UK	100%	Indirect
Letmore Group Ltd	3	UK	100%	Indirect
Letmore Lettings Ltd	3	UK	100%	Indirect
Lets – Cover Limited	3	UK	100%	Indirect
Letters of Distinction Limited	3	UK	100%	Indirect
Life and Easy Limited	13	UK	100%	Indirect
Lifestyle Management (York) Co. Limited	3	UK	100%	Indirect
Lighthouse Property Services Ltd	3	UK	100%	Indirect
London & Country Property Auctions Limited	7	UK	100%	Indirect
LS1 Limited	3	UK	100%	Indirect
Maitland Lettings Limited	3	UK	100%	Indirect
Mann & Co. (Kent) Limited	3	UK	100%	Indirect
Mann & Co. Limited	3	UK	100%	Indirect

Connells Limited
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Appendix – Related undertakings of the Group at 31 December 2021 (continued)

Company name	Registered address (refer to note)	Country of incorporation	% owned	Direct/indirect (Group interest)
Mann Countrywide Limited	9	UK	100%	Indirect
Merchant Executive Properties Limited	11	UK	100%	Indirect
Merchant Lettings (Ayrshire) Limited	11	UK	100%	Indirect
Merchant Lettings (Edinburgh) Limited	11	UK	100%	Indirect
Merchant Lettings (Paisley) Limited	11	UK	100%	Indirect
Merchant Lettings Limited	11	UK	100%	Indirect
Merchant Maintenance Limited	11	UK	100%	Indirect
Michael Rhodes Property Management Limited	2	UK	100%	Indirect
Mid Cornwall Letting Limited	5	UK	100%	Indirect
Miller Estate Agents Limited	8	UK	100%	Indirect
Modernmode Limited	8	UK	100%	Indirect
Morris Dibben Limited	8	UK	100%	Indirect
Mortgage Intelligence Holdings Limited	19	UK	100%	Indirect
Mortgage Intelligence Limited	19	UK	100%	Indirect
Mortgage Next Limited	19	UK	100%	Indirect
Mortgage Next Network Limited	19	UK	100%	Indirect
Mortgage Next Packaging Limited	8	UK	100%	Indirect
Mountford Limited	8	UK	100%	Indirect
Nest Lettings & Management Limited	3	UK	100%	Indirect
New Homes Mortgage Solutions Limited	3	UK	100%	Indirect
New Space (Derby) Limited	8	UK	100%	Indirect
New Space Margate Ltd	8	UK	100%	Indirect
NHMH Direct Limited	1	UK	100%	Indirect
Ohmes Limited	3	UK	100%	Indirect
Palmer Snell Limited	8	UK	100%	Indirect
Patterson Bowe Ltd	8	UK	100%	Indirect
Pattison Lane Estate Agents Limited	1	UK	95%	Indirect
Pebble Property Management and Lettings Limited	3	UK	100%	Indirect
Personal Homefinders Limited	3	UK	100%	Indirect
Peter Alan Black Limited	1	UK	100%	Indirect
Peter Alan Limited	1	UK	100%	Direct
Phillips Brown Limited	3	UK	100%	Indirect
PKL Group Limited	3	UK	100%	Indirect
PKL Limited	3	UK	100%	Indirect
PKL Management Limited	3	UK	100%	Indirect
Plaza Letting Agents Limited	3	UK	100%	Indirect
Poolman Harlow Limited	3	UK	100%	Indirect
Porter Glenny Limited	1	UK	100%	Indirect
Porter Glenny New Homes Limited	1	UK	100%	Indirect
Portfolio Letting Agents & Consultants Ltd	11	UK	100%	Indirect
Potteries Property Services Limited	3	UK	100%	Indirect
Preston Bennett Holdings Limited	3	UK	100%	Indirect
Preston Bennett Limited	3	UK	100%	Indirect
Property Management (North East) Limited	3	UK	100%	Indirect
Propertywide Limited	7	UK	100%	Indirect
Protection Helpline Limited	1	UK	100%	Direct
R.A. Bennett & Partners Ltd	3	UK	100%	Indirect
Redstone Wills Limited	4	UK	100%	Direct
Regal Lettings and Property Management Kent Limited	3	UK	100%	Indirect

Appendix – Related undertakings of the Group at 31 December 2021 (continued)

Company name	Registered address (refer to note 1)	Country of incorporation	% owned	Direct/indirect (Group interest)
Relocation Solutions Countrywide Limited	3	UK	100%	Indirect
Rentons Estate Agents Limited	7	UK	100%	Indirect
Resi Capital Limited	7	UK	100%	Indirect
Resi Capital Member Limited	7	UK	100%	Indirect
Richard Dolton Limited	3	UK	100%	Indirect
RMS Estate Agents Limited	1	UK	95%	Direct
RMS Mortgage Services Limited	1	UK	100%	Indirect
Roberts & Co Property Management Limited	1	UK	100%	Indirect
RPT Management Services Plc	8	UK	100%	Indirect
Russells Lettings Limited	3	UK	100%	Indirect
Saville Home Management Limited	3	UK	100%	Indirect
Securemove Property Services 2005 Limited	8	UK	100%	Indirect
Securemove Property Services Limited	3	UK	100%	Indirect
Sequence (UK) Limited	1	UK	100%	Direct
ServPro Limited	7	UK	100%	Indirect
Sharman Quinney Holdings Limited	1	UK	95%	Direct
Slater Hogg & Howison Limited	8	UK	100%	Indirect
Slater Hogg Mortgages Limited	10	UK	100%	Indirect
Snape Lettings Ltd	3	UK	100%	Indirect
Spencers Estate Agents Limited	3	UK	100%	Indirect
Spencers Surveyors Limited	3	UK	100%	Indirect
Sprint Property Acquisitions Ltd	8	UK	100%	Indirect
Stan Collins & Co Ltd	1	UK	100%	Indirect
Statehold Limited	3	UK	100%	Indirect
Stratton Creber Limited	3	UK	100%	Indirect
Sundale Properties Limited	3	UK	100%	Indirect
SurveyingPro.co.uk Limited	3	UK	100%	Indirect
Sutton Kersh Auctions & Sales Ltd	3	UK	100%	Indirect
Sutton Kersh Holdings Ltd	3	UK	100%	Indirect
Tablesign Limited	3	UK	100%	Indirect
Taylor's Estate Agents Ltd	3	UK	100%	Indirect
The Asset Management Group Limited	2	UK	75%	Direct
The Butler Club Limited	3	UK	100%	Indirect
The Buy To Let Business Limited	11	UK	100%	Indirect
The Buy To Let Group Limited	11	UK	100%	Indirect
The Flat Managers Limited	3	UK	100%	Indirect
The Good Mortgage Company Ltd	3	UK	100%	Indirect
The Greene Corporation Limited	9	UK	100%	Indirect
The London Residential Agency Limited	3	UK	100%	Indirect
The New Homes Group Limited	1	UK	100%	Direct
The Universal Trust Corporation	1	UK	100%	Indirect
The Willmaster Limited	1	UK	100%	Indirect
The Willmaster (Storage) Limited	1	UK	100%	Indirect
Thomas James Lettings Limited	3	UK	100%	Indirect
Thomson & Moulton Limited	8	UK	100%	Indirect
Tingleys Lettings Limited	3	UK	100%	Indirect
TitleAbsolute Limited	20	UK	100%	Indirect
TNHG Limited	1	UK	100%	Indirect

Appendix – Related undertakings of the Group at 31 December 2021 (continued)

Company name	Registered address (refer to note)	Country of incorporation	Owned	Direct/indirect Group interest
Town & County Residential Limited	3	UK	100%	Indirect
Tucker Gardner Residential Limited	3	UK	100%	Indirect
Umberman Limited	3	UK	100%	Indirect
United Surveyors Limited	3	UK	100%	Indirect
Vanet Property Asset Management Limited	3	UK	100%	Indirect
Vibrant Energy Matters Limited	6	UK	73.44%	Direct
Waferprime Limited	3	UK	100%	Indirect
Wallhead Gray & Coates	3	UK	100%	Indirect
Watson Bull & Porter Limited	3	UK	100%	Indirect
Westcountry Property Auctions Limited	7	UK	100%	Indirect
White Space Property Group Limited	1	UK	100%	Indirect
Willcraft Services Limited	1	UK	100%	Indirect
Wilson Peacock Estate Agents Limited	3	UK	100%	Indirect
Woods Block Management Limited	12	UK	100%	Indirect
WSB Property Management Limited	3	UK	100%	Indirect
Wyse Lettings Limited	3	UK	100%	Indirect
Young & Butt Limited	3	UK	100%	Indirect
Young Lettings Limited	3	UK	100%	Indirect
Your Mortgage Cloud Limited	1	UK	100%	Indirect
Zeus Financial Services Limited	1	UK	100%	Direct

Registered offices:

1. Cumbria House, 16-20 Hockliffe Street, Leighton Buzzard, Bedfordshire, LU7 1GN
2. 13-21 High street, Guildford, Surrey, GU1 3DG
3. 42 Alderley Road, Wilmslow, Cheshire, SK9 1NY
4. Windmill Road, St Leonards on Sea, East Sussex, TN38 9BY
5. 4th floor, 115 George Street, Edinburgh, EH2 4JN
6. 2 Foxes Lane, Oakdale Business Park, Blackwood, Gwent, NP12 4AB
7. Greenwood House, 1st Floor, 91-99 New London Road, Chelmsford, Essex, CM2 0PP
8. 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT, United Kingdom
9. 5th Floor, United Kingdom House, 180 Oxford Street, London, W1D 1NN, United Kingdom
10. 6 Caldecotte Lake Business Park, Caldecotte Lake Drive, Caldecotte, Milton Keynes, Buckinghamshire, MK7 8JT, United Kingdom
11. c/o Countrywide Lettings Ltd, 71 Candleriggs, Glasgow, Lanarkshire, G1 1NP, United Kingdom
12. North Point, Stafford Drive, Battlefield Enterprise Park, Shrewsbury, SY1 3BF, United Kingdom
13. The Capitol Building, Oldbury, Bracknell, RG12 8FZ, United Kingdom
14. Lee House, 90 Great Bridgewater Street, Manchester, M1 5RR, United Kingdom
15. Rooms 1101-04, 138 Gloucester Road, Hong Kong
16. F-509, 5th Floor, Ashish Corporate Tower, Plot No. 18, Karkardooma Community Centre, New Delhi, India
17. Suite 3.7, 3rd Floor, Standard Buildings, 94 Hope Street, Glasgow, G2 6PH, United Kingdom
18. Suite 2A, St Davids Court, Union Street, Wolverhampton, WV1 3JE, United Kingdom
19. Roddis House, 4th Floor, 4-12 Old Christchurch Road, Bournemouth, Dorset, BH1 1LG, United Kingdom
20. Churchgate House, 2nd Floor, 56 Oxford Street, Manchester, M1 6EU, United Kingdom
21. 1200 Delta Business Park, Swindon, Wiltshire, SN5 7XZ, United Kingdom
22. Sixth Floor, 150 Cheapside, London, EC2V 6ET, United Kingdom
23. 15 Atholl Crescent, Edinburgh, EH3 8HA, United Kingdom
24. 86-88 Leeson Street Lower, Dublin 2, D02 A668, Ireland
25. Heritage House, Pinfold Street, Bridgetown, Barbados
26. 48 Elizabeth Street, London, SW1W 9PA, United Kingdom