CONNELLS LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

(Registered Number 03187394)

Contents

Group Directors' Report

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

INTRODUCTION AND OVERVIEW

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

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. The Group operates through many brands, including Peter Alan, Allen & Harris, Bagshaws Residential, Barnard Marcus, Brown & Merry, Burchell Edwards, Connells, Fox & Sons, Gascoigne Halman, Jones & Chapman, Manners & Harrison, Roger Platt, Rook Matthews Sayer, Sharman Quinney, Shipways, Swetenhams and William H Brown. At 31 December 2020, Connells and its subsidiaries (the 'Group') trade from 581 (2019: 585) estate agency branches.

Connells Survey & Valuation Limited is one of the largest providers of residential survey and valuation services to homebuyers, lenders and other participants in the UK residential property market. It also offers 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.

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.

Asset Management Group Limited 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 conveyancing, will services, property searches 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
AJ Burton

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

DIVIDENDS

During the year the company paid interim ordinary dividends of £20,000,000 (2019: £11,500,000).

The Directors do not propose a final ordinary dividend in respect of the current financial year (2019: £nil).

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations of £53,000 during the year (2019: £109,000).

The Group made no political donations during the year (2019: £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 2022, including the continuing impact of Covid-19 on its operations within the UK. The impact of the Covid-19 pandemic began on 23 March 2020, when the UK housing market was effectively closed for two months. However the Group performed resiliently during this period and throughout the rest of the year, continuing to operate effectively despite continuing restrictions and further lockdowns. The Group's ability to react quickly to changing market and operational conditions enabled it to report an increased profit for the year, and increase its cash resources.

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

The Group is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2020 the Group reported a net profit after tax of £40.9m (2019: £38.8m) and at 31 December 2020 had substantial cash balances amounting to £103.1m (2019: £75.7m), even after paying a dividend of £20.0m (2019: £11.5m) to its shareholders. At the date of signing these accounts, the Group still has a substantial cash balance and has no external debt. In the absence of the proposed Countrywide acquisition (see below) the Group could have sought external debt should it be required; however no plans or requirements were necessary.

In forming their view on going concern, the Directors have considered both the Connells Group on a standalone basis, and on an enlarged basis assuming the acquisition of Countrywide plc completes by the end of Q1 2021. The Directors, together with senior management of the Group, all of whom have significant industry expertise, carried out extensive due diligence on Countrywide based on publicly available information, together with other information requested from Countrywide, including latest results and forecasts. Consequently, the Group has prepared detailed profit and cash flow forecasts for both itself and Countrywide, which the Directors consider are reasonable based on their knowledge of both businesses and expected market conditions.

The Directors have also performed extensive stress testing to model the ongoing impact of the Covid-19 pandemic, and other potential market shocks, 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 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 case scenario. This would have a proportionate impact on most revenue streams as volumes decline.
- House price deflation of 10%.
- Mitigating actions to reduce headcount, capital expenditure and marketing spend.
- No government support has been assumed to be available, but any support available would be utilised and improve the liquidity position further.

The results from such stress testing indicate that, both the standalone Group, and the expanded Group would be able to withstand the financial impact.

The Group's financial strength means that it is well positioned to withstand any downturn. As at 31 December 2020 the Group has no long term debt (other than IFRS 16 liabilities) and therefore no covenant tests that it must meet. The Group's projections show that it can service the proposed loan of £253.0m from Skipton Building Society, the ultimate parent undertaking, in order to fund the potential acquisition of Countrywide plc, under the base case and stress scenarios. The agreed loan will provide sufficient capital to acquire the entire share capital and voting rights of Countrywide for cash consideration of £134.4m, settle the existing debt within Countrywide and provide substantial investment and working capital for the combined business.

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 actions available and within the control of management to reduce costs and manage liquidity.

Group Directors' Report (continued)

GOING CONCERN (continued)

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.

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 CO_2 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 2020 gives a total energy consumption figure across all sites (including transport) totalling 19,421,096 kWh, which converts to 6,123 tCO2e (tonnes of carbon dioxide equivalent).

Emissions from the purchase of electricity, heat, steam and cooling for our own use was 3,602 tCO2e, with transport accounting for 1,776 tCO2e and gas 745 tCO2e. In terms of emission intensity, total tonnes of carbon dioxide equivalent divided by the Group's turnover is 0.0000163, 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, a third party expert, 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

D C Livesey.

DC Livesey
Director

23 February 2021

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

Group Strategic Report

2020 BUSINESS REVIEW

	2020	2019
Total income [a]	**£379.8m**	£428.8m
Earnings before interest, tax, depreciation and amortisation, impairment and contingent consideration (EBITDA) [b]	**£80.5m**	£76.3m
Profit before tax	**£51.8m**	£50.1m
Movement in:		
Estate agency property exchanges	**-16%**	-7%
Residential lettings properties under management	**+0%**	+2%
Number of mortgages arranged	**-2%**	-2%
Surveys and valuations completed	**-15%**	+0%
Number of conveyancing transactions arranged	**-20%**	+1%

[a] Total income comprises revenue (£375.0m), other operating income (£1.4m) and Group share of profit after tax in joint ventures (£3.4m).
[b] Before exceptional items

2020 was an unprecedented year, dominated by the Covid-19 pandemic. In this context, the Group has delivered a robust performance, with profit before tax slightly ahead of last year. The year started strongly, as the decisive general election result in December 2019 provided some political stability following the uncertainty that had impacted market confidence in recent years. However everything changed with the onset of the covid-19 pandemic and the first UK lockdown, announced on 23 March 2020, effectively closing the UK housing market for two months. The Group closed its branch network, in line with Government instructions, and was unable to carry out surveys, valuations and perform many other services during that time. Consequently, management made use of the Government's Coronavirus Job Retention Scheme (CJRS) and placed 78% of its people on furlough during this period. Nevertheless, as the Group fulfils an important role in the housing market and UK economy, it continued to work during the shutdown to ensure that sales which could complete went ahead, and those left on hold were held together.

The Group's priority throughout the Covid-19 pandemic has been the health, safety and well-being of its people and customers. Management communicated regularly with those employees on furlough, and is proud to have protected their incomes by continuing to pay, from March to July, 100% of basic pay and any commissions due to those not required to work; above the minimum of 80% up to £2,500 per month set by the Government. The Group invested heavily 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 enabled those who could work from home to do so, and at 31 December 2020 over 98% of Group colleagues were working.

Following the re-opening of the UK housing market in May, activity levels improved considerably, helped by the stamp duty holiday announced by the government from 15 July 2020 to 31 March 2021. Despite various local and national restrictions being imposed by the Government during the second half of the year, top line results remained ahead of the prior year during the period since the first lockdown ended.

The number of properties that the Group exchanged contracts on during the year was 16% lower than in 2019, a creditable performance given the shutdown. Management did not make any significant changes to the branch network and at 31 December 2020 the Group operated through 581 branches (31 December 2019: 585).

The Group's financial services proposition continues to perform strongly and the number of mortgages arranged by the Group fell by only 2% despite the lockdown and fall in the number of properties sold. During the lockdown, in particular, the Group worked with its customers to help them, particularly with remortgaging. The total value of lending generated for UK mortgage providers during 2020 increased to £10.9bn and 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 remained flat during the year and total lettings income was 4% lower than 2019, largely due to 2020 being the first full year following the tenant fee ban. The Group's lettings division continued its investment in people and technology to improve productivity and drive down its administrative costs.

Connells Survey & Valuation was impacted significantly by the lockdown, as surveyors were unable to carry out physical visits. This caused the total number of survey and valuations completed in 2020 to fall by 15% compared to 2019. Connells Survey & Valuation continues to invest heavily in new technology and process improvements to drive productivity, support clients' risk management and improve customer outcomes. This includes offering a desktop valuation proposition which allowed the Group to address its clients' needs during the year, when physical visits were not possible. It also invests in its people, training new surveyors through its AssocRICS development programme, and the focus remains on delivering great customer service.

Group Strategic Report (continued)

The Group's conveyancing division helps customers navigate the legal side of a property purchase or sale. The number of conveyancing transactions arranged in 2020 fell by 20% as a result of the decline in the number of exchanges.

The result of the Covid-19 pandemic was that the Group's total income reduced to £378.6m in 2020, a fall of 12% on the prior year. Management reacted to this fall in income by reducing capital expenditure and minimising all other areas of discretionary spend in order to protect its cash position. As noted above, the Group benefitted from elements of government support, including the CJRS, rates relief and retail premises grants totaling £25.7m; further details are included in note 25. Consequently, net total expenditure fell by £49.7m (13%) in the year to £326.4m.

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 four 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 ended 2020 with its sales pipeline well ahead of the prior year, which bodes well for a strong start to 2021 as customers seek to conclude transactions before the stamp duty holiday ends on 31 March 2021. 2021 is likely to be a challenging year, due to continuing Covid-19 lockdowns which could lead to higher unemployment and recession. Nevertheless, with strong profitability and good liquidity the Group remains well poised to take advantage of whatever market conditions present.

Proposed offer for Countrywide plc

On 31 December 2020, the Company announced that it had reached agreement with the board of Countrywide plc to acquire the entire share capital and voting rights of Countrywide for cash consideration of £134.4m by means of a scheme of arrangement. Countrywide is a property services group with over 600 branches across the UK. The Board believes that the expertise within the Group's management team will be able to drive improved profitability for Countrywide and the enlarged Group, for the benefit of its shareholders and other stakeholders. A shareholder vote took place on 15 February 2021 which voted in favour of the transaction and therefore completion now requires approval by the FCA and the scheme of arrangement to be sanctioned by the Court to become effective. Completion is expected to occur by the end of the first quarter of 2021.

In order to fund the transaction, enable the Group to repay existing borrowings in Countrywide and provide working capital, Skipton Building Society, the ultimate parent undertaking, has agreed to provide a loan to Connells Limited of £253.0m on completion of the acquisition.

The Group expects this acquisition to complement the Group's existing services, enhance the value proposition for customers and will benefit consumers as a whole. The Group believes that a well-invested high street branch network, coupled with a diversified brand portfolio, will allow the combined business to provide 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 will be that the enlarged Connells Group will provide exciting career opportunities for both Connells and Countrywide employees, and will have the potential to attract the best talent in the industry across all areas of expertise. The Group has a successful track record of integrating acquisitions and helping to develop businesses that it has acquired, and believes that it is well-positioned to be a long-term custodian of Countrywide, just as it has been for the numerous firms it has successfully acquired and grown over the last 18 years.

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. In 2020 the Group carried out an externally facilitated employee engagement survey in which all colleagues were invited to participate. The analysis of the results will enable the Board to make well-informed decisions about where to focus attention to best effect. The Board will also involve groups of employees in such development activities. During 2020, despite colleagues being placed on furlough, the Group maintained regular communications with all its people and agreed, from March to July, to pay everyone 100% of their basic salary plus commissions earned; well above the Government's minimum requirement under the CJRS scheme.

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 has invested heavily in PPE, provided extensive training to all its people and 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.

Our Connells Residential and Sequence estate agency businesses have enjoyed long-standing partnerships with the National Society for the Prevention of Cruelty to Children (NSPCC) and CLIC Sargent respectively, from 2001 until 2021. During this period, over £500,000 has been raised for both charities through a number of individual, company-wide and head office function fundraising efforts.

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. 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 has really resonated with our workforce, particularly at this time, and the Group will provide support through a range of fundraising activities and campaigns across the network.

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, the head offices based in Leighton Buzzard work with various partners on local community initiatives. A number of subsidiaries also have their own charity partnerships.

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 CO_2 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)

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 2020 include:

- The Board agreed the furloughing of colleagues during the Covid-19 pandemic and consequent use of the CJRS. The Board also agreed to top up furloughed colleagues pay to 100% of their basic salary plus commissions earned. These decisions were made to continue to provide employment for as many people as possible and maintain the strength of the Group during the crisis.
- As explained further in note 24, the Group acquired four 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 annual corporate plan was approved following a robust and comprehensive review process. It was decided the plan would promote the success of 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.
- The Board also reviewed the draft pensions scheme triennial valuation during the year and has agreed to contribute a lump sum of £20m into the Scheme, by 31 March 2021, together with continuing ongoing deficit contributions in order to reduce the deficit; and has also agreed a 15 year journey plan with the Trustee aimed at restoring the Scheme to being fully funded. The decisions were made to reduce the Group's significant liability and ensure that pension promises to current and former colleagues continue to be met.
- In December 2020 the Board agreed to make an offer to purchase the entire share capital of Countrywide plc for a cash consideration of £134.1m. The Board also agreed, as part of this acquisition, to enter into a loan with its parent, Skipton Building Society, for £253.0m to fund the purchase and enable it to extinguish existing debt within Countrywide. The Board concluded that the returns available from this investment were attractive and would benefit all stakeholders.

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.

Group Strategic Report (continued)

Risks and uncertainties (continued)

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

Covid-19 pandemic

The business has been impacted significantly since March 2020 by the Covid-19 pandemic, which resulted in the closure of most Group branches and head office premises and therefore activity levels declined significantly during that period. While the Group has been able to re-open and the property market has re-opened, there remains significant uncertainty over how long restrictive measures will remain in place, how this will impact customer sentiment, and the wider economic impact.

Management reacted quickly at the on-set of the pandemic to preserve cash by placing the majority of colleagues on furlough and cutting back on capital and other discretionary spending. The Group has invested heavily in personal protective equipment (PPE), devised comprehensive working practices and rolled out training to allow for a safe and secure environment for its people and customers. The Directors have also taken a number of actions and contingency planning to safeguard the future profitability and viability of the business, which is discussed further in the going concern section, and, through the business continuity planning team, continue to monitor developments and take appropriate action. Recent upgrades to 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.

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. The Covid-19 pandemic significantly impacted the housing market in 2020, and although the stamp duty holiday increased demand, the impact on the UK economy may impact transaction levels during 2021. The impact of Brexit on the UK economy could also 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.

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)

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 Connells Survey and Valuation Limited, 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. The Group has no bank debt.

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.

D C Livesey

DC Livesey
Director

23 February 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company 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 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 2020 which comprise the Group Income Statement, the Group and Parent company Statement of Financial Position, the Group Statement of Cash Flows, the Group Statement of Comprehensive Income, the Group and Parent company Statement of Changes in Equity and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards 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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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, 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 2022. The Group has modelled a number of adverse scenarios in their cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the Group.
- We have tested the factors and assumptions included within the Connells standalone Group forecast and the enlarged Group, should the proposed acquisition of Countrywide plc proceed and complete. We have challenged management and modelled further scenarios.
- 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. Furthermore, we utilised EY specialists to assist with this assessment, particularly in respect of the cashflows prepared to support the enlarged group.
- 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 and evaluating the Company's ability to control these outflows as mitigating actions if required. We also confirmed the proposed loan from Skipton Building Society of £253.0m and its availability to fund the potential acquisition of Countrywide plc, under the sensitised scenarios
- 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.

The proposed acquisition of Countrywide plc for £134.4m has meant that the Group had to complete due diligence in advance of the final offer. We have observed that management considered the cashflows of Countrywide in the combined group scenario, taking into account the due diligence, their own industry expertise and other available knowledge. Despite the uncertainty in the housing market as a result of the pandemic, the Group has identified specific synergies and mitigations within the scenarios. The loan facility of £253.0m from Skipton Building Society has been included within the combined scenario.

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 the period to December 2022, 22 months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the 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 there is 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 both those charged with governance of the entity and management.

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

- *We understood how 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 Company's financial statements to material misstatement, including how fraud might occur by obtaining and reading internal policies, holding enquiries of management and those charged with governance and the in-house legal counsel as to any fraud risk framework within the entity.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
    - Enquiry of management and those charged with governance as to any fraud risk framework within the entity, including whether a formal fraud risk assessment is completed.
    - Enquiry of management, those charged with governance and the entity's in-house legal team around actual and potential litigation and claims.
    - Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations, including communications with regulators and tax authorities.
    - Reading minutes of meetings of those charged with governance.
    - Reading internal audit reports.
    - Enquiry of management over reports to whistleblowing hotlines.
    - Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
    - Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.
    - *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.

DocuSigned by:

Joanne Mason

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Joanne Mason (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton
23 February 2021

Group Income Statement

For the year ended 31 December 2020

	Notes	Year ended 2020 £000	Year ended 2019 £000
Revenue	3	375,031	426,394
Other operating income	6	1,402	710
Employee benefit expenses	7	(222,360)	(246,477)
Other operating expenses	2	(104,020)	(130,092)
Operating profit		**50,053**	**50,535**
Presented as:			
Earnings before interest, tax, depreciation, amortisation, impairment and contingent consideration		80,505	76,300
Depreciation of tangible assets	2,10	(8,503)	(9,299)
Depreciation and impairment of right-of-use assets	12	(14,752)	(12,799)
Amortisation and impairment of intangibles	11	(5,678)	(3,810)
Fair value changes in financial instruments held at FVTPL	14	(63)	143
Impairment of investments	13	(1,456)	-
Operating profit		**50,053**	**50,535**
Finance income	4	441	727
Finance costs	5	(1,668)	(2,315)
Net financing costs		(1,227)	(1,588)
Group share of profit after tax in joint ventures	13	3,364	1,737
Dividends paid to non-controlling interests		(391)	(570)
Profit before tax		**51,799**	**50,114**
Taxation	8	(10,864)	(11,344)
Profit for the year		**40,935**	**38,770**
Attributable to:			
Equity holders of the Company		**40,935**	**38,770**

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

The notes on pages 21 to 54 form part of these financial statements.

Group Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	Year ended 2020 £000	Year ended 2019 £000
Profit for the year		**40,935**	**38,770**
Other comprehensive (expense)/ income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/ gain on retirement benefit obligations	23	(8,452)	276
Tax on actuarial (loss)/ gain on retirement benefit obligations			
- deferred tax credit	15	2,120	130
- current tax credit		250	-
Other comprehensive (expense)/ income for the year (net of income tax)		**(6,082)**	**406**
Total comprehensive income for the year		**34,853**	**39,176**
Total comprehensive income attributable to:			
Equity holders of the Company		34,853	39,176

The notes on pages 21 to 54 form part of these financial statements.

Group Statement of Financial Position

At 31 December 2020

	Notes	31 December 2020 £000	£000	31 December 2019 £000	£000
Non-current assets					
Property, plant and equipment	10	30,173		34,929	
Intangible assets	11	100,624		104,381	
Right-of-use assets	12	43,888		48,982	
Investments	13	13,264		12,531	
Financial assets	14	8,284		4,689	
Deferred tax assets	15	11,099		8,960	
Total non-current assets			207,332		214,472
Current assets					
Trade and other receivables	16	37,896		42,605	
Cash and cash equivalents	17	103,053		75,708	
Total current assets			140,949		118,313
Total assets			**348,281**		**332,785**
Current liabilities					
Trade and other payables	18	59,903		56,113	
Tax liabilities		1,757		4,393	
Provisions	20	11,813		15,513	
Lease liabilities	19	10,705		10,698	
Total current liabilities			84,178		86,717
Non-current liabilities					
Trade and other payables	18	5,575		5,526	
Provisions	20	6,143		6,958	
Retirement benefit obligation	23	45,307		38,169	
Lease liabilities	19	34,443		37,633	
Total non-current liabilities			91,468		88,286
Total liabilities			175,646		175,003
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	143,646		128,793	
Total equity			172,635		157,782
Total equity and liabilities			**348,281**		**332,785**

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

DC Livesey

DC Livesey
Director

Company registration number: 03187394

The notes on pages 21 to 54 form part of these accounts.

Company Statement of Financial Position

At 31 December 2020

	Notes	31 December 2020 £000	31 December 2020 £000	31 December 2019 £000	31 December 2019 £000
Non-current assets					
Property, plant and equipment	10	6,954		2,361	
Intangible assets	11	3,720		-	
Investments	13	128,796		133,127	
Financial assets	14	8,071		4,575	
Deferred tax assets	15	9,172		6,957	
Total non-current assets			156,713		147,020
Current assets					
Trade and other receivables	16	13,232		7,209	
Cash and cash equivalents	17	77,032		56,764	
Tax asset		-		2,053	
Total current assets			90,264		66,026
Total assets			**246,977**		**213,046**
Current liabilities					
Trade and other payables	18	57,400		33,083	
Provisions	20	1,633		3,292	
Tax liabilities		507		-	
Total current liabilities			59,540		36,375
Non-current liabilities					
Trade and other payables	18	2,063		1,324	
Provisions	20	923		-	
Retirement benefit obligation	23	45,307		38,169	
Total non-current liabilities			48,293		39,493
Total liabilities			107,833		75,868
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	110,155		108,189	
Total equity			139,144		137,178
Total equity and liabilities			**246,977**		**213,046**

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 profit for the year was £21,966,000 (2019: £45,092,000).

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

DC Livesey
Director

Company registration number: 03187394

The notes on pages 21 to 54 form part of these accounts.

Statements of Changes in Equity

For the year ended 31 December 2020

Group

	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	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**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	1	25,288	3,000	101,117	129,406
Total comprehensive income for the year	-	-	-	39,176	39,176
Dividends to shareholders	-	-	-	(11,500)	(11,500)
Subscription for shares	-	700	-	-	700
Balance at 31 December 2019	**1**	**25,988**	**3,000**	**128,793**	**157,782**

Company

	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**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	1	25,288	3,000	74,597	102,886
Total comprehensive income for the year	-	-	-	45,092	45,092
Dividends to shareholders	-	-	-	(11,500)	(11,500)
Subscription for shares	-	700	-	-	700
Balance at 31 December 2019	**1**	**25,988**	**3,000**	**108,189**	**137,178**

The notes on pages 21 to 54 form part of these accounts.

Group Statement of Cash Flows

	Note	Year ended 2020 £000	Year ended 2019 £000
Cash flows from operating activities			
Profit for the year		40,935	38,770
Adjustments for:			
Depreciation and impairment of tangible assets	10	8,503	9,299
Depreciation and impairment of ROU assets	12	14,752	12,799
Amortisation and impairment of intangible assets	2,11	5,678	3,810
Profit on disposal of property, plant and equipment	2	(163)	(91)
Impairment of joint ventures		1,456	-
Finance income	4	(441)	(727)
Share of profit of joint ventures	13	(3,364)	(1,737)
Finance expense	5	1,668	2,315
Dividends paid to non-controlling interests		391	570
Tax expense	8	10,864	11,344
Fair value changes in financial instruments held at FVTPL		63	(143)
Past service costs on pensions	23	811	-
Operating profit before changes in working capital and provisions		**81,153**	**76,209**
Contributions to defined benefit pension scheme	23	(2,880)	(10,080)
Decrease in trade receivables		2,809	54
Increase in prepayments and other receivables		(1,291)	(2,561)
Increase/ (decrease) in trade and other payables		*4,539*	*(3,318)*
Increase in provisions		(4,515)	6,595
Cash inflow from operations		**79,815**	**66,899**
Tax paid		(13,305)	(11,040)
Net cash inflow from operating activities		**66,510**	**55,859**
Cash flows from investing activities			
Interest received		441	727
Dividends received from joint ventures	13	1,175	1,358
Purchases of shares in subsidiaries, net of cash acquired		-	(677)
Purchases of shares in assets held at FVTPL		(150)	(409)
Purchases of business assets, net of cash acquired	24	(1,490)	(773)
Purchases of computer software	11	(1,235)	(3,321)
Purchases of property, plant and equipment	10	(4,601)	(5,046)
Proceeds on disposal of property, plant and equipment		1,017	863
Net cash (outflow) from investing activities		**(4,843)**	**(7,278)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(13,931)	(13,381)
Dividends paid to parent undertaking	9	(20,000)	(11,500)
Dividends paid to non-controlling interests		(391)	(570)
Amounts received from subscription for shares		-	700
Net cash (outflow) from financing activities		**(34,322)**	**(24,751)**
Net increase in cash and cash equivalents		**27,345**	**23,830**
Cash and cash equivalents at 1 January		75,708	51,878
Cash and cash equivalents at 31 December		**103,053**	**75,708**

The notes on pages 21 to 54 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and effective as at 31 December 2020. 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.

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

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

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

Measurement convention

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 r).

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 Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Report. The financial position of the Group and Company, its cash flows, and liquidity position are shown on pages 15 to 20. In addition, the Group Directors' Report, Strategic Report and notes to these financial statements include the Group's objectives; policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Directors have undertaken a thorough assessment of the Group's financial forecasts to 31 December 2022, including the continuing impact of Covid-19 on its operations within the UK. The impact of the Covid-19 pandemic began on 23 March 2020, when the UK housing market was effectively closed for two months. However the Group performed resiliently during this period and throughout the rest of the year, continuing to operate effectively despite continuing restrictions and further lockdowns. The Group's ability to react quickly to changing market and operational conditions enabled it to report an increased profit for the year, and increase its cash resources.

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

The Group is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2020 the Group reported a net profit after tax of £40.9m (2019: £38.8m) and at 31 December 2020 had substantial cash balances amounting to £103.1m (2019: £75.7m), even after paying a dividend of £20.0m (2019: £11.5m) to its shareholders. At the date of signing these accounts, the Group still has a substantial cash balance and has no external debt. In the absence of the proposed Countrywide acquisition (see below) the Group could have sought external debt should it be required; however no plans or requirements were necessary.

In forming their view on going concern, the Directors have considered both the Connells Group on a standalone basis, and on an enlarged basis assuming the acquisition of Countrywide plc completes by the end of Q1 2021. The Directors, together with senior management of the Group, all of whom have significant industry expertise, carried out extensive due diligence on Countrywide based on publicly available information, together with other information requested from Countrywide, including latest results and forecasts. Consequently, the Group has prepared detailed profit and cash flow forecasts for both itself and Countrywide, which the Directors consider are reasonable based on their knowledge of both businesses and expected market conditions.

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 the ongoing impact of the Covid-19 pandemic, and other potential market shocks, 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 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 10%.
- Mitigating actions to reduce headcount, capital expenditure and marketing spend.
- No government support has been assumed to be available, but any support available would be utilised and improve the liquidity position further.

The results from such stress testing indicate that, both the standalone Group, and the expanded Group would be able to withstand the financial impact.

The Group's financial strength means that it is well positioned to withstand any downturn. As at 31 December 2020 the Group has no long term debt (other than IFRS 16 liabilities) and therefore no covenant tests that it must meet. The Group's projections show that it can service the proposed loan of £253.0m from Skipton Building Society, the ultimate parent undertaking, in order to fund the potential acquisition of Countrywide plc, under the base case and stress scenarios. The agreed loan will provide sufficient capital to acquire the entire share capital and voting rights of Countrywide for cash consideration of £134.4m, settle the existing debt within Countrywide and provide substantial investment and working capital for the combined business.

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 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 and there is an option 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.

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)

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

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.

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. Goodwill is calculated after also taking into account the fair value of contingent liabilities of the acquiree.

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 2020:

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

e) 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.

f) 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.

g) 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.

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.

h) Non-derivative financial instruments

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

I) Employee benefits

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group has a defined benefit scheme, the Connells (2014) Group Pension Scheme, which is closed to future benefit accrual. The Group's net obligation in respect of the Scheme 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 liability 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.

Net interest is calculated by applying the discount rate to the net defined benefit liability. Contributions are transferred to the Trustee on a regular basis to secure the benefits provided under the rules of the Scheme. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

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

Retirement benefit obligations

The defined benefit pension scheme 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.

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

Assumption	Change in assumption	2020	2019
Discount Rate	Decrease of 0.25% p.a.	Increase by 4.7%	Increase by 4.3%
Rate of inflation	Increase 0.25% p.a.	Increase by 2.3%	Increase by 2.0%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.9%	Increase by 3.1%

The average duration of the defined benefit obligation at the period ending 31 December 2020 was 18 years (2019: 18 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% (2019: 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 2020 was 13.55% (2019: 10.60%). 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.

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 2020 £000	Group Year ended 2019 £000
Depreciation of property, plant and equipment	10	8,503	9,299
Profit on disposal of property, plant and equipment		(163)	(91)
Amortisation of intangibles	11	3,678	3,810
Impairment losses on trade receivables		408	99
Short term lease payments charged to operating expenses		241	1,291
Business rates relief	25	(3,728)	-
Auditor's remuneration and expenses - Group			
Audit of these financial statements		310	275
Other assurance services		-	4
Auditor's remuneration and expenses - Company			
Audit of these financial statements		38	16

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.

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

2019	Products and services transferred at a point in time £000	Products and services transferred over time £000	Total 2019 £000
Commissions earned on property sales	169,782	191	169,973
Commissions earned on property lettings	61,618	-	61,618
Income from sale of financial services products	85,383	11,329	96,712
Survey and valuation income	65,007	-	65,007
Conveyancing income	28,983	-	28,983
Other income and commissions	3,540	561	4,101
	414,313	12,081	426,394

4. Finance income

	Group Year ended 2020 £000	Group Year ended 2019 £000
Interest on bank deposits	5	22
Interest receivable from Group undertakings	423	677
Other interest receivable	13	28
	441	727

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Finance costs

	Group Year ended 2020 £000	Group Year ended 2019 £000
Net interest payable on pension liabilities (see note 23)	756	1,205
Movement on put option liability interest	(20)	213
Interest on lease liabilities	932	897
	1,668	2,315

6. Other operating income

	Group Year ended 2020 £000	Group Year ended 2019 £000
Rents receivable under property leases	480	479
Profit on sale of fixed assets	163	91
Fair value changes in financial instruments held at FVTPL	(63)	143
Government grants (see note 25)	822	-
Other	-	(3)
	1,402	710

7. Staff numbers and costs

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

	Group 2020 No.	Group 2019 No.
Directors	7	7
Other	6,767	6,846
	6,774	6,853

The aggregate payroll costs of these persons was as follows:

	£000	£000
Wages and salaries	194,725	218,406
Social security costs	21,780	22,399
Other pension costs	5,855	5,672
	222,360	246,477

Wages and salaries are stated after crediting £21.2m (2019: £nil) of government grants received under the Coronavirus Job Retention Scheme (CJRS). Further details are provided in note 25.

Directors' emoluments	Group Year ended 2020 £000	Group Year ended 2019 £000
Directors' emoluments	1,299	2,451
Company contributions to defined contribution pension schemes	2	8
	1,301	2,459

Two of the Directors are remunerated by another Group company. During the year £30,900 (2019: £60,000) was charged to the Group for their services.

The aggregate of emoluments of the highest paid Director was £352,539 (2019: £985,324). There were no contributions to defined contribution pension schemes (2019: £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 2020 £000**	**Group Year ended 2019 £000**
a) Analysis of expense in the year at 19% (2019: 19%)		
Current tax expense		
Current tax at 19% (2019: 19%)	11,091	10,782
Adjustment in respect of prior years	(121)	(50)
Total current tax	10,970	10,732
Deferred tax (income) / expense		
Origination and reversal of temporary differences	(112)	(547)
Adjustment in respect of prior years	266	1,159
Effect of changes in tax rates	(260)	-
Total deferred tax (see note 15)	(106)	612
Tax expense	10,864	11,344

b) Factors affecting current tax expense in the year

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

Profit before tax	51,799	50,114
Tax on profit at UK standard rate of 19% (2019: 19%)	9,842	9,522
Effects of:		
Non-taxable income from joint ventures	(637)	(329)
Expenses not deductible for tax purposes	2,134	1,056
Adjustment to tax expense in respect of prior years	146	1,109
Income not taxable	(361)	(75)
Change in tax rates	(260)	61
Tax expense recognised in Income Statement	10,864	11,344

c) Income tax recognised in Other Comprehensive Income	**Group Year ended 2020 £000**	**Group Year ended 2019 £000**
Deferred tax credit in respect of retirement benefit obligations	2,120	130
Current tax credit in respect of retirement benefit obligations	250	-
Tax income recognised in Other Comprehensive Income	2,370	130

9. Dividends

	Year ended 2020 £000	**Year ended 2019 £000**
Amounts recognised as distributions to equity holders in the period:		
Dividends for the year paid on 'A' shares	20,000	11,500

The dividend per share totalled £1.93 (2019: £1.11). No dividends (2019: 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 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**	**6,613**	**5,859**	**30,173**

Company

	Land and buildings £000	Equipment fixtures and fittings £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)*

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 2019	42,926	31,011	17,260	91,197
Additions	1,319	1,820	1,907	5,046
Disposals	(317)	(493)	(2,358)	(3,168)
At 31 December 2019	**43,928**	**32,338**	**16,809**	**93,075**
Accumulated depreciation and impairment				
At 1 January 2019	19,896	21,742	9,605	51,243
Depreciation charge for the year	3,422	3,883	1,994	9,299
Disposals	(189)	(443)	(1,764)	(2,396)
At 31 December 2019	**23,129**	**25,182**	**9,835**	**58,146**
Carrying amounts				
At 1 January 2019	23,030	9,269	7,655	39,954
At 31 December 2019	**20,799**	**7,156**	**6,974**	**34,929**

Company	**Land and buildings £000**	**Equipment fixtures and fittings £000**	**Company total £000**
Cost			
At 1 January 2019	3,956	970	4,926
Additions	72	-	72
At 31 December 2019	**4,028**	**970**	**4,998**
Accumulated depreciation and impairment			
At 1 January 2019	1,540	970	2,510
Depreciation charge for the year	127	-	127
At 31 December 2019	**1,667**	**970**	**2,637**
Carrying amounts			
At 1 January 2019	2,416	-	2,416
At 31 December 2019	**2,361**	**-**	**2,361**

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 2020	93,539	6,499	11,624	29,552	141,214
Arising on acquisition	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**

	Goodwill £000	Brands £000	Computer software £000	Customer contracts & relationships £000	Total £000
Cost					
At 1 January 2019	93,363	6,499	8,303	28,912	137,077
Arising on Acquisition	176	-	-	-	176
Additions	-	-	3,321	640	3,961
At 31 December 2019	**93,539**	**6,499**	**11,624**	**29,552**	**141,214**
Amortisation and impairment losses					
At 1 January 2019	4,705	-	5,049	23,269	33,023
Amortisation charge for the year	-	-	1,551	2,259	3,810
Impairment	-	-	-	-	-
At 31 December 2019	**4,705**	**-**	**6,600**	**25,528**	**36,833**
Carrying amounts					
At 1 January 2019	88,658	6,499	3,254	5,643	104,054
At 31 December 2019	**88,834**	**6,499**	**5,024**	**4,024**	**104,381**

The brands relate to Gascoigne Halman, RMS Estate Agents and Peter Alan. 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 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 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**

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

Cash Generating Unit	Goodwill Carrying value 2020 £000	Brands Carrying value 2020 £000	Goodwill Carrying value 2019 £000	Brands Carrying value 2019 £000
Sequence (UK) Limited	40,428	-	40,428	-
Connells Residential	6,150	-	5,736	-
Sharman Quinney Holdings Limited	5,804	-	5,744	-
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	2,325	1,200
The Asset Management Group Limited	8,456	-	9,410	-
The New Homes Group Limited	13,182	-	13,182	-
Connells Survey & Valuation	450	-	-	-
	86,804	**6,499**	**88,834**	**6,499**

During the year the goodwill relating to RMS Estate Agents Limited was impaired by £2.0m based on current and expected performance. The put option relating to The Asset Management Group Limited was reassessed in the year based on current and expected trading expectations, resulting in a £0.9m reduction in goodwill. 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 based on a long-term growth rate of 2.5% (2019: 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 13.55% (2019: 10.00%).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Intangible assets (continued)

The Asset Management Group (AMG) is counter-cyclical and its profits are driven by the level of repossessions in the housing market. The cash flows for AMG models the impact of a small increase in the profits driven by an increase in the level of repossessions. The long term growth rate assumed was 2.5% (2019: 2.5%).

Sensitivities

Management has undertaken sensitivity analyses to determine the effect of changes in assumptions on the 2020 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 CGUs with the least headroom were Asset Management Group Limited and RMS Estate Agents Limited.

For Asset Management Group, to test the sensitivity the discount rate was increased by 500 basis points which would lead to an impairment of £1.2m. As an additional test to the sensitivity the long term growth rate was decreased by 250 basis points, which would lead to an impairment of £1.5m, and a 500 basis point decrease would lead to an impairment of £3.2m. The 5 year forecast cash flows were reduced by 1,000 basis points, which would lead to an impairment of £0.3m.

For RMS Estate Agents Limited, to test the sensitivity the discount rate was increased by 1,000 basis points which would lead to an impairment of £0.2m. As an additional test to the sensitivity the long term growth rate was decreased by 2,000 basis points, which would lead to an impairment of £0.3m, and a 3,000 basis points decrease would lead to an additional impairment of £0.6m. For the 5 year forecast cash flows the growth rate was decreased by 4,000 basis points would not result in an impairment.

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 500 basis points, which would result in an impairment of £1.6m. The sensitivity to the long term growth rate was also tested, decreases of 500 basis points year on year would result in an impairment of £0.1m, and decreases of 1,000 basis points would lead to an impairment of £3.5m. For the 5 year forecast cash flows decreases of 1,000 basis points would not result in an impairment, and decreases of 3,000 basis points would lead to an impairment of £0.4m.

12. Right-of-use assets

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**

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 2019	46,705	-	986	47,691
Additions	8,096	5,310	301	13,707
Disposals	(1,179)	-	(65)	(1,244)
Modifications	1,495	-	(97)	1,398
At 31 December 2019	**55,117**	**5,310**	**1,125**	**61,552**
Accumulated depreciation and impairment				
At 1 January 2019	293	-	-	293
Depreciation charge for the year	12,194	-	594	12,788
Impairment	11	-	-	11
Disposals	(475)	-	(47)	(522)
Modifications	-	-	-	-
At 31 December 2019	**12,023**	**-**	**547**	**12,570**
Carrying amounts				
At 1 January 2019	46,412	-	986	47,398
At 31 December 2019	**43,094**	**5,310**	**578**	**48,982**

13. Investments

The Company owns equity share capital in the following joint ventures, which are incorporated and trade in the UK, as follows:

Name of joint venture and associate	Nature of business	Proportion of ordinary shares held 2020	Proportion of ordinary shares held 2019
TM Group (UK) Limited	Property search services	33.3%	33.3%
Vibrant Energy Matters Limited	Home Energy, property and eco services	46.1%	46.1%
Cybele Solutions Holdings Limited	Conveyancing services	50.0%	50.0%

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

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

Group	Group 2020 £000	Group 2019 £000
Joint Ventures		
Balance at 1 January	12,531	12,152
Share of joint venture profits after tax	3,364	1,737
Dividends received	(1,175)	(1,358)
Impairment	(1,456)	-
At 31 December	**13,264**	**12,531**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments (continued)

Investment in joint ventures	**Group 2020 £000**	**Group 2019 £000**
Share of joint ventures'		
Non-current assets	13,050	12,774
Current assets	6,887	5,096
Current liabilities	(6,673)	(5,339)
Net assets at 31 December	**13,264**	**12,531**
Share of joint ventures'		
Income	35,136	38,179
Admin expenses	(30,131)	(35,415)
Depreciation and amortisation	(1,174)	(584)
Interest income	3	4
Profit before tax	**3,834**	**2,184**
Taxation	(470)	(447)
Profit and total comprehensive income	**3,364**	**1,737**

The following tables detail financial information for those joint ventures held at 31 December 2020, together with the Group's share.

TM Group (UK) Limited	**2020 £000**	**2019 £000**
Non-current assets	10,454	6,690
Current assets	10,386	5,984
Current liabilities	(12,575)	(9,100)
Net assets at 31 December	**8,265**	**3,574**
Group's share of net assets	**2,752**	**1,190**
Investment	48	48
Carrying amount of interest in joint ventures	**2,800**	**1,238**
Income	66,677	68,845
Admin expenses	(56,158)	(64,424)
Depreciation and amortisation	(1,142)	(530)
Interest income	6	5
Profit before tax	**9,383**	**3,896**
Taxation	(1,165)	(829)
Profit and total comprehensive income	**8,218**	**3,067**
Group's share of profit and total comprehensive income	**2,737**	**1,021**

Cybele Solutions Holdings Limited	**2020 £000**	**2019 £000**
Non-current assets	6,463	5,747
Current assets	6,045	5,455
Current liabilities	(3,488)	(3,776)
Net assets at 31 December	**9,020**	**7,426**
Group's share of net assets	**4,510**	**3,713**
Investment	5,374	6,374
Carrying amount of interest in joint ventures	**9,884**	**10,087**
Income	19,723	24,467
Admin expenses	(16,475)	(22,064)
Depreciation and amortisation	(1,515)	(747)
Interest income	2	5
Profit/ (Loss) before tax	**1,735**	**1,661**
Taxation	(140)	(321)
Profit/ (Loss) and total comprehensive income	**1,595**	**1,340**
Group's share of profit/ (loss) and total comprehensive income	**797**	**670**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments (continued)

Vibrant Energy Matters Limited	**2020 £000**	**2019 £000**
Non-current assets	1,292	1,034
Current assets	881	814
Current liabilities	(1,611)	(917)
Net assets at 31 December	**562**	**931**
Group's share of net assets	**259**	**429**
Investment	321	777
Carrying amount of interest in joint ventures	**580**	**1,206**
Income	6,657	6,566
Admin expenses	(6,921)	(6,368)
Depreciation and amortisation	(79)	(75)
Profit before tax	**(343)**	**123**
Taxation	(26)	(23)
Profit and total comprehensive income	**(369)**	**100**
Group's share of profit and total comprehensive income	**(170)**	**46**

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 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**
Cost			
At 1 January 2019	123,214	12,772	135,986
Additions	-	-	-
At 31 December 2019	**123,214**	**12,772**	**135,986**
Amortisation and impairment losses			
At 1 January 2019	2,859	-	2,859
Impairment	-	-	-
At 1 31 December 2019	**2,859**	**-**	**2,859**
Carrying amounts			
At 1 January 2019	120,355	12,772	133,127
At 31 December 2019	**120,355**	**12,772**	**133,127**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments (continued)

At 31 December 2020, 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 2020	Proportion of ordinary shares held 2019
Connells Residential[a]	Residential estate agency	100%	100%
Conveyancing Direct Limited[d]	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%
Zeus Financial Services Limited[a]	Advising on and arranging financial products	100%	100%

Connells Residential is an unlimited company

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.

The following companies are dormant:

Name of subsidiary undertaking	Proportion of ordinary shares held 2020	Proportion of ordinary shares held 2019
Allguard Legal Services Limited[a]	100%[9]	100%[9]
Burchell Edwards (Midlands) Limited[a]	100%	100%
Chancery Law Services Limited[a]	100%[11]	100%[11]
Connells Estate Agents Limited (formerly Shortfall Solutions Limited)[a]	100%	100%
Connells Financial Services Limited[a]	100%	100%
Executry Services Scotland Limited[e]	100%[10]	100%[10]
Hatched.co.uk Limited[a]	100%[6]	100%[6]
Hatchedepc.co.uk Limited[a]	100%[6]	100%[6]
Heritage Family Estates Limited[a]	100%[11]	100%[11]
Hockleys Professional Limited[a]	100%	100%
IHLS Limited[a]	100%[9]	100%[9]
Interest Only Solutions Limited[a]	100%	100%
In Home Legal Services Limited[a]	100%[9]	100%[9]
Kevin Henry Limited[a]	100%[1]	100%[1]
Legal Services Probate Limited[a]	100%[10]	100%[10]
Legal Services UK Limited[e]	100%[10]	100%[10]
NHMH Direct Limited[a]	100%[3]	100%[3]
Peter Alan Black Limited[a]	100%	100%
Porter Glenny Limited[a]	100%[8]	100%[8]
Porter Glenny New Homes Limited[a]	100%[8]	100%[8]
Roberts & Co Property Management Limited*[a]	100%[4]	100%[4]
Stan Collins & Co Ltd[a]	100%[3]	100%[3]
The Universal Trust Corporation[a]	100%[11]	100%[11]
The Willmaster Limited[a]	100%[10]	100%[10]
The Willmaster (Storage) Limited[a]	100%[10]	100%[10]
TNHG Limited[a]	100%[3]	100%[3]
White Space Property Group Limited[a]	100%	100%
Willcraft Services Limited[a]	100%[9]	100%[9]
Your Mortgage Cloud Limited[a]	100%	100%

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments (continued)

[1] Held indirectly through Sharman 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

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

The Company has guaranteed the liabilities of the following entities for the year ended 31 December 2020. They are therefore exempt from audit under the Companies Act (2006) section 479A.

Gascoigne Halman Private Finance Limited (Company number: 02274172)
Just Wills Limited (Company number: 02427464)
Just Wills Group Limited (Company number: 05186807)
Just Wills Holdings Limited (Company number: 07485279)
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)
Zeus Financial Services Limited (Company number: 11727362)

14. Financial assets	**Group 2020 £000**	**Company 2020 £000**	**Group 2019 £000**	**Company 2019 £000**
Equity Investments				
Quoted shares carried at fair value	213	-	114	-
Unquoted shares carried at fair value	8,071	8,071	4,575	4,575
	8,284	**8,071**	**4,689**	**4,575**

Quoted shares carried at fair value

These comprise an equity investment in On The Market plc. The shares were valued at £213k at 31 December 2020, based on the closing share price at that date (2019: £114k).

Unquoted shares carried at fair value

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

The Directors have reviewed the carrying value of Tactile Limited, based on recent trading performance, outlook and expectations of the value of the business and have concluded that the cost of investment of £475k (2019: £475k) is the best indication of its fair value.

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 (2019: £250k) 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 £709k (2019: £659k) is the best indication of its fair value.

The Group has a holding of share warrants in ZPG Property Services Holdings Limited, valued at £6,537k (2019: £3,191k) based on an independent third party valuation.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. Financial assets (continued)

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

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Balance at 1 January	4,689	4,575	1,038	975
Additions	3,341	155	3,508	3,508
Fair value adjustment	254	3,341	143	92
At 31 December	**8,284**	**8,071**	**4,689**	**4,575**

15. Deferred tax

Deferred tax balances are calculated on temporary differences under the liability method using an effective tax rate of 19% (2019: 17%) 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 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Deferred tax asset at 1 January	8,960	6,957	11,173	8,424
Charged to the income statement				
Income Statement (debit)/ credit	372	99	547	101
Adjustments in respect of prior periods	(266)	(4)	(1,159)	(12)
Movement arising from the acquisition or disposal of a business	(87)	-	(45)	-
Charged to the statement of comprehensive income:				
Arising in respect of pension obligations	2,120	2,120	(1,556)	(1,556)
Deferred tax asset at 31 December	**11,099**	**9,172**	**8,960**	**6,957**

Deferred tax assets are attributable to the following items:

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Capital allowances	1,824	88	890	3
Intangible assets	(566)	-	-	-
Losses	-	-	15	-
Provision for loan impairment	1,297	522	1,375	481
Pension obligations	8,609	8,609	6,489	6,489
Other	(65)	(47)	191	(16)
Deferred tax asset at 31 December	**11,099**	**9,172**	**8,960**	**6,957**

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

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Capital allowances	873	89	521	(12)
Intangible assets	(413)	-	-	-
Losses	-	-	(62)	-
Provision for loan impairment	(71)	41	75	117
Other	(283)	(35)	(1,146)	(16)
Deferred tax (charged)/ credited to income for the year	**106**	**95**	**(612)**	**89**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. Deferred tax (continued)

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

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Pension obligations	2,120	2,120	(1,556)	(1,556)
Deferred tax credited/ (charged) to other comprehensive income for the year	**2,120**	**2,120**	**(1,556)**	**(1,556)**

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.

16. Trade and other receivables

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Trade receivables	26,535	-	28,960	-
Amounts due from ultimate parent undertaking	668	-	839	-
Amounts due from subsidiary undertakings	-	8,252	-	3,968
Other receivables	3,523	3,129	3,347	3,241
Prepayments and accrued income	8,864	1,851	9,909	-
Contract assets	781	-	1,641	-
Bad debt provision	(2,475)	-	(2,091)	-
	37,896	**13,232**	**42,605**	**7,209**

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

Group	2020 £000 Gross	2020 £000 Impairment	2019 £000 Gross	2019 £000 Impairment
Not overdue	9,413	(154)	10,669	(100)
Overdue 0-30 days	11,505	(11)	12,424	(26)
Overdue 31-120 days	3,713	(877)	3,674	(609)
Overdue 120 days plus	1,904	(1,433)	2,193	(1,356)
	26,535	**(2,475)**	**28,960**	**(2,091)**

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

Group	2020 £000	2019 £000
At 1 January	(2,091)	(2,248)
Provisions made during the year	(891)	(337)
Receivables written off during the year	408	99
Provisions no longer required	99	395
At 31 December	**(2,475)**	**(2,091)**

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17. Cash and cash equivalents

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Bank balances	31,613	5,592	21,458	2,514
Call deposits	71,440	71,440	54,250	54,250
	103,053	77,032	75,708	56,764

The call deposits represent cash on deposit with Skipton Building Society, the ultimate parent undertaking.

18. Trade and other payables

Due within one year	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Trade and other payables	7,993	2,176	9,422	1,463
Other taxes and social security	14,509	415	12,134	494
Amounts owed to ultimate parent undertaking	5,224	5,224	2,535	2,535
Amounts owed to subsidiary undertakings	-	40,525	-	20,775
Accruals and deferred income	26,167	3,050	24,536	330
Put option obligation	6,010	6,010	7,486	7,486
	59,903	57,400	56,113	33,083
Due after more than one year				
Trade and other payables	4,677	1,165	5,526	1,324
Put option obligation	898	898	-	-
	5,575	2,063	5,526	1,324

The movement within the fair value of the put option obligation is summarised below:	Group & Company 2020 £000	Group & Company 2019 £000
At 1 January	7,486	8,334
Unwind of the discount factor	148	213
Re-evaluation of future exercise dates	(168)	(149)
Re-evaluation of market value	(558)	(235)
Exercise of put option	-	(677)
At 31 December	6,908	7,486

During 2020 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.

In the prior year the fair value of the put option obligations relating to Gascoigne Halman Group Limited and RMS Estate Agents Limited were reduced by £235k, reflecting expectations around the valuation based on current and forecast trading. Put options amounting to £677k in relation to Gascoigne Halman Group Limited were exercised during the year.

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 2020 £000	Group 2019 £000
Cost		
At 1 January	48,331	45,260
Additions	6,730	14,871
Interest charged	932	897
Lease payments	(13,931)	(13,381)
Disposals	(444)	(694)
Modifications	3,530	1,378
At 31 December	45,148	48,331

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Lease liabilities (continued)

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

	Group 2020 £000	Group 2019 £000
Lease liabilities are repayable:		
In not more than 3 months	3,215	3,417
In more than 3 months but less than 1 year	7,490	7,281
In more than 1 year but less than 5 years	26,457	28,223
In more than 5 years	7,986	9,410
	45,148	48,331

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

20. 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 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

	Property provisions £000	Insurance commission clawback £000	Professional indemnity obligations £000	Other £000	Total £000
At 1 January 2019	2,794	10,258	3,732	257	17,041
Transfers made during the year	(1,165)	-	-	-	(1,165)
Provisions made during the year	(124)	15,337	827	3,415	19,455
Released during the year	-	-	(16)	-	(16)
Provisions utilised in the year	(101)	(11,927)	(528)	(288)	(12,844)
At 31 December 2019	**1,404**	**13,668**	**4,015**	**3,384**	**22,471**
Due within one year or less	968	8,431	2,730	3,384	15,513
Due after more than one year	436	5,237	1,285	-	6,958

Company

	Insurance commission clawback £000	Other £000	Total £000
At 1 January 2020	-	3,292	3,292
Transfers made during the year	2,562	-	2,562
Provisions made during the year	443	-	443
Released during the year	-	(890)	(890)
Provisions utilised in the year	(449)	(2,402)	(2,851)
At 31 December 2020	**2,556**	**-**	**2,556**
Due within one year or less	1,633	-	1,633
Due after more than one year	923	-	923

	Insurance commission clawback £000	Other £000	Total £000
At 1 January 2019	-	-	-
Provisions made during the year	-	3,292	3,292
Released during the year	-	-	-
Provisions utilised in the year	-	-	-
At 31 December 2019	**-**	**3,292**	**3,292**
Due within one year or less	-	3,292	3,292
Due after more than one year	-	-	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

21. Share capital

Group & Company **Allotted, called up and fully paid**	**Year ended 2020 £000**	**Year ended 2019 £000**
10,346,500 (2019: 10,346,500) 'A' ordinary shares of 0.0001p each	1	1
2,105 (2019: 4,210) 'D' ordinary shares of 0.0001p each	-	-
9,274 (2019: 9,274) 'E' ordinary shares of £0.0001p each	-	-
6,182 (2019: 6,182) 'F' ordinary shares of £0.0001p each	-	-
	1	1

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, one of whom is the highest paid Director) 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 £0.6m. 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 2020 £000	**Company 31 December 2020 £000**	**Group 31 December 2019 £000**	**Company 31 December 2019 £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
Retained earnings	143,646	110,155	128,793	108,189
	172,635	139,144	157,782	137,178

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

Entity	Related party relationship	Transaction type	Transaction amounts 2020 £000	Transaction amounts 2019 £000	Balance owing/(owed) 2020 £000	Balance owing/(owed) 2019 £000
Skipton Building Society	Parent Undertaking	Interest received	423	677	-	-
Skipton Building Society	Parent Undertaking	Interest payable	-	-	(5,224)	(2,535)
Skipton Building Society	Parent Undertaking	Administrative expenses	(1,755)	(2,236)	-	-
Skipton Building Society	Parent Undertaking	Commissions received	9,935	11,066	668	839
TM Group Limited	Joint Venture Partner	Dividend	1,175	1,358	1,175	-
Vibrant Energy Matters Limited	Joint Venture Partner	Purchase of goods & services	(2,023)	(2,402)	(2)	21
TM Group Limited	Joint Venture Partner	Purchase of goods & services	(1,185)	(2,237)	(11)	62
TM Group Limited	Joint Venture Partner	Sale of goods and services	2,913	3,528	665	(76)
Legal Marketing Services Limited	Joint Venture Partner	Purchase of goods & services	-	(6)	-	(14)
Hearthstone Investments Plc	Investment	Sale of goods and services	41	10	-	-

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

Company

Entity	Related Party relationship	Transaction Type	Transaction Amounts 2020 £000	Transaction Amounts 2019 £000	Balance Owing/(owed) 2020 £000	Balance Owing/(owed) 2019 £000
Skipton Building Society	Parent Undertaking	Interest receivable	65	197	-	-
Skipton Building Society	Parent Undertaking	Purchase of services	(1,755)	(2,214)	(5,224)	(2,535)
Other group companies		Purchase of services	-	(33,937)	(40,525)	(20,775)
Other group companies		Sale of services	32,785	36,343	8,252	3,971

Included in cash and cash equivalents for the Group is £71,440,000 (2019: £54,250,000), and for the Company £71,440,000 (2019: £54,250,000) of cash held on deposit with the Skipton Building Society. All transactions are at arm's length and are provided under normal trade credit terms.

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

	Year ended 2020 £	Amount outstanding 31 December 2020 £	Year ended 2019 £	Amount outstanding 31 December 2019 £
Lettings fees, paid by Directors and Directors' family members	9,550	-	6,050	-
Company Vehicle purchased by Directors' family member	-	-	2,325	-
Total			8,375	-

Lettings and estate agency fees paid by Directors were at rates available to all staff, all other transactions were on normal commercial terms.

Two Directors hold ordinary shares in Hearthstone Investments Plc, a Company in which the Group holds a 17.1% stake. At 31 December 2020 the two Directors hold 9.5% and 1.5% respectively (2019: 9.5% and 1.5%).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions

Defined benefit scheme

The Group operates a funded defined benefit arrangement scheme, the Connells (2014) Group Pension Scheme, which is accounted for within Connells Limited. The Scheme is closed to new members and to the future accrual of benefits.

The Scheme is 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 Trustee of the Scheme is required to act in the best interest of the Scheme's beneficiaries. The appointment of the Trustee is determined by the Scheme's trust documentation.

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 by agreeing to contribute a lump sum of £20m by 31 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 2020.

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:

	2020 Group & Company	2019 Group & Company
Discount rate	1.45%	2.05%
Retail Price Inflation (RPI) rate	3.00%	3.00%
Consumer Price Inflation (CPI) rate	2.50%	2.00%
Increase to defined benefits during deferment (CPI link)	2.50%	2.00%
Increases to pension payment (CPI link)	1.95-2.50%	1.69-2.04%

The most significant non-financial assumption is the assumed rate of longevity. For the year ended 31 December 2020, this has been based on mortality rates that are 100% of the S2PxA_L tables projected using CMI_2017 converging to 1.00% p.a. The tables adopted imply the following life expectancy:

Non-retired members

	2020	2019
Male retiring in the year	22.1 years	22.5 years
Female retiring in the year	24.3 years	23.5 years
Males retiring in 2033	22.8 years	23.2 years
Females retiring in 2033	25.2 years	24.5 years

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

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

	Group & Company 2020 £000	Group & Company 2019 £000
Fair value of plan assets	94,118	86,976
Present value of defined benefit obligations	(139,425)	(125,145)
Net pension liability	**(45,307)**	**(38,169)**

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:

	2020 Group & Company £000	2019 Group & Company £000
Fair value of assets at the start of the year	86,976	68,866
Return on plan assets (excluding amounts recognised in interest income)	7,316	11,640
Interest income	1,764	2,026
Ongoing deficit contributions	2,880	2,880
Lump sum contribution	-	7,200
Benefits paid	(4,818)	(5,636)
Fair value of assets at end of year	**94,118**	**86,976**

	2020 Group & Company £000	2019 Group & Company £000
Defined benefit obligation at start of the year	125,145	116,187
Interest cost	2,520	3,231
Actuarial losses/ (gains)	15,768	11,364
Benefits paid	(4,818)	(5,636)
Past service costs	811	-
Expenses	(1)	(1)
Defined benefit obligation at end of year	**139,425**	**125,145**

The past service costs in the year related to the impact of Guaranteed Minimum Pension (GMP) equalisation on transfers out.

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

	2020 Group & Company £000	2019 Group & Company £000
Diversified Growth Vehicles	50,780	50,292
Liability Driven Investments[1]	43,172	19,169
Cash	166	430
Equities	-	17,085
Total fair value of plan assets	**94,118**	**86,976**

[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.

The Scheme invests in an LDI fund to aim to provide protection against interest rate and inflation movements. The LDI fund aims to cover 50% of the interest rate sensitivity and 100% 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 Scheme is 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 Scheme 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. The Scheme has 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 Scheme's 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

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

The Scheme does 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 Scheme's 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 Scheme's 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.

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's 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. The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. Pensions (continued)

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

	2020 Group & Company £000	2019 Group & Company £000
Interest cost	756	1,205
Past service costs	811	-
Expenses	-	(1)
Total	1,567	1,204

The table below sets out our best estimate, of the aggregate contributions expected to be paid to the Scheme during the year ending 31 December 2021:

	Group & Company 2020 £000
Ongoing deficit reduction contributions	2,880
Lump sum payment	20,000
Total	22,880

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 £5,772k (2019: £5,601k). There were no outstanding contributions (2019: £nil) at the end of the financial year.

24. Acquisitions

During the 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.

During the prior year the Group acquired four businesses. The total consideration paid was £773k, of which £75k was deferred. Goodwill recognised was £176k. The revenue and pre-tax profit generated by these businesses in 2019 was £0.2 million and £0.1 million respectively.

25. Government grants

	2020 Group £000	2019 Group £000
At 1 January	-	-
Received during the year	(25,525)	-
Released to the income statement	25,649	-
At 31 December	**124**	**-**
Current	124	-
Non-current	-	-

Government grants have been received during 2020 relating to the Coronavirus Job Retention Scheme (£21.2m within employee benefit expenses in note 7), Retail Cash Grant Scheme (£0.8m within other income in note 6) and business rates relief (£3.7m within other operating expenses in note 2). During the year the Group also deferred its Q2 VAT payments of £11.5m, but these were repaid before the year end. No government grants were received during 2019.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

26. Financial instruments (continued)

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:

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**

2019

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	59,104	59,104	46,092	7,486	5,526	-
Amounts owing to group companies	2,535	2,535	2,535	-	-	-
Lease Liabilities	48,331	53,371	3,528	7,704	28,971	13,168
Total	**109,970**	**115,010**	**52,155**	**15,190**	**34,497**	**13,168**
Company						
Trade and other payables	11,097	11,097	2,287	7,486	1,324	-
Amounts owing to group companies	23,310	23,310	23,310	-	-	-
Total	**34,407**	**34,407**	**25,597**	**7,486**	**1,324**	**-**

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

Market risk

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

Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

26. Financial instruments (continued)

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:

	2020 Group £000	2019 Group £000
Cash and cash equivalents	103,053	75,708
Trade receivables	24,060	26,869
Other receivables	3,523	3,347
Amounts due from ultimate parent undertaking	668	839
	131,304	106,763

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:

	2020 Group £000	2019 Group £000
Individual customers	5,540	5,355
Major lenders	1,652	2,186
Other commercial customers	19,343	21,419
	26,535	28,960

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.

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

	2020 Group £000	2019 Group £000
A+	29,229	21,458
A-	73,824	54,250
	103,053	75,708

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

26. Financial instruments (continued)

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 – 2020				
Quoted shares	213	-	-	213
Unquoted shares	-	-	8,071	8,071
Put option liabilities	-	(6,908)	-	(6,908)
Total	**213**	**(6,908)**	**8,071**	**1,376**
Group and Company – 2019				
Quoted shares	114	-	-	114
Unquoted shares	-	-	4,575	4,575
Put option liabilities	-	(7,486)	-	(7,486)
Total	**114**	**(7,486)**	**4,575**	**(2,797)**

27. Subsequent events

On 31 December 2020, Connells Limited announced that it had reached agreement with the board of Countrywide plc to acquire the entire share capital and voting rights of Countrywide for cash consideration of £134.3m by means of a scheme of arrangement. Countrywide is a property services group with over 600 branches across the UK. In line with scheme of arrangement and UK Takeover Code rules, a shareholder vote took place on 15 February 2021 which voted in favour of the transaction and therefore completion now requires the sanction of the scheme of arrangement by the Court and approval by the FCA. Completion is expected to occur by the end of the first quarter of 2021.

Furthermore, in January 2021 the Group purchased 8.6%, in aggregate, of the share capital of Countrywide plc for a total cash consideration of £11.1m. This consisted of 5.9% from Schroder Investment Management Limited for £7.6m on 6th January 2021 and 2.7% from Alchemy Partners for £3.5m on 25th January 2021.

28. 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
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