PATTISON LANE ESTATE AGENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2020

(Registered Number 04730529)

Contents

Directors' Report

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

INTRODUCTION AND OVERVIEW

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

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

The Company made a profit before tax of £233,000 for the year (2019: £178,000).

DIRECTORS

The Directors who served during the year were:
R S Shipperley
M A Sharman
DC Livesey
RJ Twigg
DK Plumtree

DIVIDENDS

During the year interim dividends of £200,000 (2019: £120,000) were paid. The Directors do not propose the payment of a final dividend (2019: £nil).

EMPLOYEES

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

CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable or political donations in 2020 (2019: £nil).

EMPLOYEE DEVELOPMENT AND EQUAL OPPORTUNITIES

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

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

GOING CONCERN

The Directors have undertaken a thorough assessment of the Company's financial forecasts to 31 December 2022, including the continuing impact of Covid-19 on its operations within the UK.

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2020 the Company reported a net profit after tax of £193,000 (2019: £138,000) and at 31 December 2020 had cash balances amounting to £216,000 (2019: £148,000). At the date of signing these accounts, the Company has a similar cash balance and has no external debt.

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

Directors' Report *(continued)*

AUDITOR

The Directors have relied upon the exemption from the obligation to appoint auditors permitted under section 479A of the Companies Act 2006 in submitting these unaudited Financial Statements. There is a parent guarantee in place from Connells Limited.

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

By order of the board

RJ Twigg
Director

15 September 2021

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

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with 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 company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies 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 financial position and financial performance;
- in respect of the 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 will not continue in business.

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

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

The directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with 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 company;
- that the financial statements, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- that they consider the financial statements, 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.

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Year ended 2020 £000	Year ended 2019 £000
Revenue	3	773	647
Administrative expenses	2	(541)	(470)
Profit from operations		**232**	**177**
Finance expense	4	(1)	(1)
Finance income	5	2	2
Profit before tax		**233**	**178**
Taxation	7	(40)	(40)
Profit for the year being total comprehensive income		**193**	**138**

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

There were no recognised income and expense items in the current period (2019: £nil) other than those reflected in the above Statement of Comprehensive Income.

The notes on pages 10 to 20 form part of these financial statements.

Statement of Financial Position

AT 31 DECEMBER 2020

	Notes	£000	31 December 2020 £000	£000	31 December 2019 £000
Non-current assets					
Property, plant and equipment	8	42		52	
Right of use assets	9	47		60	
Total non-current assets			89		112
Current assets					
Trade and other receivables	11	49		50	
Cash and cash equivalents		216		148	
Deferred tax asset	10	1		-	
Total current assets			266		198
Total assets			**355**		**310**
Current liabilities					
Trade and other payables	12	110		65	
Deferred tax liability	10	-		5	
Tax liabilities		46		18	
Provisions	13	13		12	
Lease liabilities	14	6		14	
Total current liabilities			175		114
Non-current liabilities					
Trade and other payables	12	2		2	
Provisions	13	17		19	
Lease liabilities	14	39		46	
Total non-current liabilities			58		67
Total liabilities			233		181
Equity – attributable to equity holders of the Company					
Share capital	15	1		1	
Retained earnings	15	121		128	
Total equity			122		129
Total equity and liabilities			**355**		**310**

These accounts were approved by the Board of Directors on 15 September 2021 and signed on its behalf by:

The Directors:

(a) confirm that for the financial period in question the company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the company to obtain an audit of its accounts for the period in question in accordance with section 476 of the Companies Act 2006; and

(b) acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

RJ Twigg
Director

Company registration number: 04730529

The notes on pages 10 to 20 form part of these accounts.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2020	1	128	129
Total income for the year	-	193	193
Dividend paid	-	(200)	(200)
Balance at 31 December 2020	**1**	**121**	**121**
Balance at 1 January 2019	1	110	111
Total income for the year	-	138	138
Dividend paid	-	(120)	(120)
Balance at 31 December 2019	**1**	**128**	**129**

The notes on pages 10 to 20 form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Year ended 2020 £000	Year ended 2019 £000
Cash flows from operating activities			
Profit for the year		193	138
Adjustments for:			
Depreciation of tangible assets	8	13	6
Depreciation and impairment of right-of-use assets	9	22	19
Interest expense	4	1	1
Financial Income	5	(2)	(2)
Taxation	7	40	40
Operating profit before changes in working capital and provisions		**267**	**202**
(Increase) / Decrease trade and other receivables		(3)	22
Decrease / (Increase) in prepayments and accrued income		4	(3)
Increase / (Decrease) in trade and other payables		45	(2)
(Decrease) / Increase in provisions		(1)	14
Cash inflow generated from operations		**310**	**233**
Interest paid	4	(1)	(1)
Interest received	5	2	2
Tax paid		(18)	(37)
Net cash inflow from operating activities		**293**	**197**
Cash flows from investing activities			
Purchases of property, plant and equipment	8	(3)	(38)
Net cash outflow from investing activities		**(3)**	**(38)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(22)	(20)
Dividends paid		(200)	(120)
Net Cash outflow from financing activities		**(222)**	**(140)**
Net (decrease) / increase in cash and cash equivalents		68	19
Cash and cash equivalents at 1 January		148	129
Cash and cash equivalents at 31 December		**216**	**148**

The notes on pages 10 to 20 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Pattison Lane Estate Agents Limited (the "Company") is a company incorporated, registered and domiciled in the UK. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's accounts:

a) Basis of accounting

The Company's 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 and effective as at 31 December 2020.

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

The financial statements are prepared on the historical cost basis.

Going concern

The Company's business activities are set out in the Directors' Report on page 3. The financial position of the Company, its cash flows, and liquidity position are shown on pages 6 to 9. In addition, the Directors Report and notes to these financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Directors have undertaken a thorough assessment of the Company's financial forecasts to 31 December 2022, including the continuing impact of Covid-19 on its operations within the UK.

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2020 the Company reported a net profit after tax of £193,000 (2019: £138,000) and at 31 December 2020 had cash balances amounting to £216,000 (2019: £148,000). At the date of signing these accounts, the Company has a similar cash balance and has no external debt.

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

Currency presentation

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

b) Revenue recognition

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

- Estate Agency sales commissions, new homes, land sales and auctions income is recognised on the date contracts are exchanged unconditionally, at which point all performance obligations are considered to have been fulfilled. Invoices are usually payable on completion
- Commission earned from property lettings is recognised when the underlying service has been performed, including tenant introduction, rent collection or full property management. Invoices are usually payable immediately when the rent or fee is collected from the tenant.
- Revenue from mortgage procuration fees is recognised on completion of the mortgage transaction, which is when all contractual obligations have been fulfilled. Invoices are usually payable within 30 days of the completion.
- Insurance commission income is recognised upon fulfilment of contractual obligations as part of the mortgage process, being when the insurance policy is put on risk; less a provision for expected future clawback repayment in the event of early termination by the customer.
- All other income is recognised in line with when contractual obligations have been met.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

c) Property, plant and equipment

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

Buildings (excluding land)	-	Lower of 50 years or estimated useful life of premises
Office equipment	-	3 to 5 years
Motor vehicles	-	25% of net book value

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

d) Trade and other receivables

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

e) Leases

The Company'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.

From 1 January 2019, the Company assesses at contract inception whether a contract is, or contains, a lease. The Company initially recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available.

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

The Company applies the short-term lease exemption to those leases that have a lease term of 12 months or less from the commencement date 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.

f) Trade and other payables

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

g) Taxation

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

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. Accounting policies (continued)

g) Taxation (continued)

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the company.

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

h) Employee benefits

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

i) Cash and cash equivalents

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

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

j) Provisions for liabilities and charges

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

k) Net financing costs

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

l) 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.

2. Expenses and auditor's remuneration	**Year ended 2020 £000**	**Year ended 2019 £000**
Profit after tax is stated after charging:		
Staff costs (see note 6)	398	339
Auditor's remuneration and expenses:		
Audit of these financial statements	-	5

3. Revenue

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

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	360	-	360
Commissions earned on property lettings	208	-	208
Income from sale of financial services products	90	57	147
Conveyancing income	46	-	46
Other income and commissions	12	-	12
	716	57	773

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3. Revenue (continued)

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

4. Finance costs

	Year ended 2020 £000	Year ended 2019 £000
Interest on lease liabilities	1	1

5. Finance Income

	Year ended 2020 £000	Year ended 2019 £000
Interest receivable from group undertakings	2	2

6. Staff numbers and costs

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

	Year ended 2020 No.	Year ended 2019 No.
Directors	5	5
Sales and administration	13	11
	18	**16**
	£000	**£000**
Wages and salaries	352	314
Social security costs	38	25
Other Pension Costs	8	-
	398	**339**

Wages and salaries are stated after crediting £46,000 (2019: £nil) of government grants received under the Coronavirus Job Retention Scheme (CJRS). Further details are provided in note 20.

None of the directors are directly remunerated by the company. The notional allocation of cost to the Company for their services was £14,199 (2019: £14,042).

7. Taxation

	Year ended 2020 £000	Year ended 2019 £000
a) Analysis of expense in the year at 2020: 19% (2019: 19%)		
Current tax expense		
Current tax at 19% (2019: 19%)	46	35
Total current tax	46	35
Deferred tax expense		
Current year	(6)	5
Total deferred tax	-	-
Income tax expense	**40**	**40**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. Taxation (continued)

b) Factors affecting current tax expense in the year

The tax assessed in the Income Statement lower than (2019: higher than) the standard UK corporation tax rate.

	Year ended 2020 £000	Year ended 2019 £000
Profit before tax	233	178
Tax on profit at UK standard rate of 19% (2019: 19%)	44	34
Effects of:		
Adjustments in respect of prior years	(5)	-
Expenses not deductible	1	6
Tax rate change	-	-
Income tax expense	**40**	**40**

8. Property, plant and equipment

	Land and Buildings £000	Office Equipment £000	Motor Vehicles £000	Total £000
Cost				
At 1 January 2020	44	4	16	64
Additions	3	-	-	3
At 31 December 2020	**47**	**4**	**16**	**67**
Accumulated depreciation and impairment				
At 1 January 2020	7	1	4	12
Depreciation charge for the year	8	2	3	13
At 31 December 2020	**15**	**3**	**7**	**25**
Carrying amounts				
At 1 January 2020	37	3	12	52
At 31 December 2020	**32**	**1**	**9**	**42**

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9. Right-of-use assets

	ROU Land and buildings 2020 £000	ROU Land and buildings 2019 £000
Cost		
At 1 January	63	8
Additions	9	71
Disposals	-	(16)
At 31 December	**72**	**63**
Accumulated depreciation and impairment		
At 1 January	3	-
Depreciation charge for the year	22	19
Disposals	-	(16)
At 31 December	**25**	**3**
Carrying amounts		
At 1 January	60	8
At 31 December	**47**	**60**

10. Deferred tax

The movement on the deferred tax (asset)/ liability is as shown below:	31 December 2020 £000	31 December 2019 £000
At 1 January	5	-
Adjustment in respect of prior years	(5)	-
Charge to the Income Statement	(1)	5
At 31 December	**(1)**	**5**

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

11. Trade and other receivables	31 December 2020 £000	31 December 2019 £000
Trade receivables	20	36
Amounts owed by group undertakings	22	3
Prepayments and accrued income	7	11
Bad debt provision	-	-
	49	**50**

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

	2020 £000 Gross	2020 £000 Impairment	2019 £000 Gross	2019 £000 Impairment
Not overdue	10	-	5	-
Overdue 0 – 30 days	10	-	31	-
Overdue 31 – 120 days	-	-	-	-
Overdue 120 days plus	-	-	-	-
	20	**-**	**36**	**-**

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

	Year ended 2020 £000	Year ended 2019 £000
At 1 January	-	(4)
Provision made during the year	-	(3)
Provision no longer required	-	7
At 31 December	-	-

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Trade and other payables

Due within one year	31 December 2019 £000	31 December 2019 £000
Trade payables	4	3
Amounts owed to group undertakings	-	-
Other taxes and social security costs	23	18
Accruals and deferred income	83	44
	110	**65**
Due after more than one year		
Accruals and deferred income	2	2
	2	**2**

13. Provisions

	Insurance commission clawback £000
Balance at 1 January 2020	31
Provisions made during the year	3
Provisions used during the year	(4)
Balance at 31 December 2020	**30**
Due within one year or less	13
Due after more than one year	17
	30
Balance at 1 January 2019	17
Provisions made during the year	14
Provisions used during the year	-
Balance at 31 December 2019	**31**
Due within one year or less	12
Due after more than one year	19
	31

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

14. Lease liabilities

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

	Year ended 2020 £000	Year ended 2019 £000
Cost		
At 1 January	60	8
Additions	6	71
Disposals	-	-
Interest charged	1	1
Lease payments	(22)	(20)
At 31 December	**45**	**60**

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

	£000	£000
Lease liabilities are repayable:		
In not more than 3 months	2	5
In more than 3 months but less than 1 year	5	9
In more than 1 year but less than 5 years	20	25
In more than 5 years	18	21
	45	**60**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. Lease liabilities (continued)

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

15. Share capital

Allotted, issued and fully paid	31 December 2020 £	31 December 2019 £
95,000 Ordinary A shares of £0.01 each (2019: 95,000)	1	1
5,000 Ordinary B shares of £0.01 each (2019: 5,000)	-	-
	1	1

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

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

Management of capital

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

	31 December 2020 £000	31 December 2019 £000
Capital		
Ordinary A and B shares	1	1
Accumulated deficit	-	-
Retained earnings	121	128
	122	129

The Company's objectives when managing capital are:

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

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

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

16. Employee benefits

Defined contribution pension scheme

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company, in independently administered funds. The amount charged to the Income Statement in respect of the defined contribution schemes is the contribution payable in the year and amounted to £8,000 (2019: £7,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

17. Capital commitments

The Company has no capital commitments at the year end (2019: £nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18. Related party transactions

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

	2020			2019		
	Ultimate parent undertaking £000	**Intermediate parent undertaking £000**	**Immediate parent undertaking £000**	**Ultimate parent undertaking £000**	**Intermediate parent undertaking £000**	**Immediate parent undertaking £000**
a) Net interest						
Interest payable	-	-	-	-	-	-
Total	-	-	-	-	-	-
b) Sales of goods and services						
Commission receivable	-	2	-	-	2	-
Total	-	2	-	-	2	-
c) Purchase of goods and services	-	(36)	-	-	(26)	-
Total	-	(36)	-	-	(26)	-
d) Outstanding balances						
Receivables from related parties	-	-	22	75	-	-
Payables to related parties	-	-	-	-	-	-
Total	-	-	22	75	-	-

There are no provisions in respect of goods and services to Related Parties, either at 31 December 2020 or at 31 December 2019.

19. Financial instruments

Financial risks

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

Liquidity risk

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

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

2020	Carrying amount £000	Contractual cash flows £000	In not more than 3 months £000	In more than 3 months but less than 1 year £000	In more than 1 year but not more than 5 years £000	In more than 5 years £000
Trade and other payables	108	108	108	-	-	-
Lease liabilities	46	51	2	5	26	18
Total	154	159	110	5	26	18

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Financial instruments (continued)

2019	Carrying amount £000	Contractual cash flows £000	In not more than 3 months £000	In more than 3 months but less than 1 year £000	In more than 1 year but not more than 5 years £000	In more than 5 years £000
Trade and other payables	47	47	47	-	-	-
Lease Liabilities	61	65	5	9	26	25
Total	**109**	**113**	**52**	9	26	25

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

Market risk

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

Currency risk

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

Interest rate risk

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

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Based on historic default rates, the Company believes that no impairment provision is necessary in respect of most trade receivables not overdue or overdue by up to 90 days. Specific impairment provisions are made for customers who do not have a good payment record with the Company before 90 days. For maximum credit exposure see note 11. Management carefully manages its exposure to credit risk.

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

	2020 £000	**2019 £000**
Cash & cash equivalents	216	148
Trade receivables	20	36
Amounts due from group undertakings	22	3
At 31 December	**258**	**187**

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

	2020 £000	**2019 £000**
Individual customers	12	13
Other commercial customers	8	26
At 31 December	**20**	**39**

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Financial instruments (continued)

Capital management

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

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

20. Government grants

	2020 Company £000	2019 Company £000
At 1 January	-	-
Received during the year	(55)	-
Released to the income statement	55	-
At 31 December	-	-
Current	-	-
Non-current	-	-

Government grants have been received relating to the Coronavirus Job Retention Scheme (£46,000 within employee benefit expenses), Retail Cash Grant Scheme (£1,000 within other operating expenses) and business rates relief (£8,000 within other operating expenses). During the year the Group also deferred payment of its Q2 VAT liability of £17,000, but this was paid before the year end.

21. Ultimate parent undertaking

The Company is a 95% owned subsidiary of Sharman Quinney Holdings Limited. The ultimate parent undertaking is Skipton Building Society, which is registered in the United Kingdom. The largest group in which the results are consolidated is that headed by Skipton Building Society. The smallest group is that headed by Connells Limited and the consolidated accounts of this company are available to the public and can be obtained from:

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