

**Connells Survey & Valuation Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

31 December 2022

(Registered Number 04046987)



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## Directors' Report

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

### INTRODUCTION AND OVERVIEW

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

Connells Survey & Valuation Limited is a private limited Company incorporated in England & Wales, registered number 04046987. The registered office address is: Cumbria House, 16-20 Hockliffe Street, Leighton Buzzard, Bedfordshire, LU7 1GN.

### DIRECTORS

The Directors who served during the year and up to the date of approval of these financial statements were:

RTB Bowen  
J Mackay  
R Ince (Appointed 8 March 2022)

### DIVIDENDS

During the year an interim dividend of £7,000,000 (2021: £12,000,000) was paid. The Directors do not recommend payment of a final dividend (2021: £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 charitable donations of £10,000 in 2022 (2021: £nil). The Company made no political donations in 2022 (2021: £nil).

### EMPLOYEE DEVELOPMENT AND EQUAL OPPORTUNITIES

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

### 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 they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Directors' Report (continued)

### GOING CONCERN

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

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2022 the Company reported a profit before tax of £14,099,000 (2021: £16,407,000) and at 31 December 2022 had a cash balance of £10,108,000 (2021: £9,590,000), after paying dividends totaling £7,000,000 (2021: £12,000,000) to its shareholder. At the date of signing these accounts, the Company continues to hold a similar cash balance and has no external debt.

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

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

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

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

### AUDITOR

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

By order of the board



RTB Bowen  
Director

26 April 2023

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

## Strategic Report

### BUSINESS REVIEW

#### Overview of the Business

Connells Survey & Valuation Limited is a leading provider of residential survey and valuation services to lenders, home buyers and other participants in the UK financial and property markets.

The Company delivers a comprehensive suite of services including Panel Management, Risk Management, and outsourced surveying and valuation solutions to a diverse range of clients. The business employed 508 (2021: 497) people at 31 December 2022 including 337 (2021: 331) RICS Surveyors. In addition, the Company is contracted with a panel of partner Chartered Surveying firms who provide supplementary service resources.

Connells Survey & Valuation aims to deliver high quality service and great customer outcomes. This is evident across the business and is reinforced through independent reporting from clients on our performance across a range of metrics when benchmarked against competitors. The focus on sustainable quality service has been maintained and developed over the long term, and is reinforced through the Company holding ISO Quality Assurance accreditation for the last 28 years.

The Company's focus on delivering outstanding customer service and robust risk management control for clients, resulted in a number of new long-term contracts being secured during 2022, the majority on an exclusive basis with established high street and specialist lenders in the UK residential mortgage sector. The business also renewed contracts with many existing clients. As a result, the Directors remain confident of the Company's future prospects.

In 2022, the Company continued to invest in the development of new customer facing technology solutions, our people, and extending our next generation service and risk management model. The Connells Graduate Surveyor Academy continues to train and bring fresh surveying talent into the business. Originally launched in 2014, this has helped c. 180 new surveyors enter the industry to date, bringing much needed additional skills and resource into the residential surveying industry. Alongside this, our people benefit from support with continuing professional development integral to the achievement of career progression; and securing additional surveying, accounting and customer service qualifications.

The Company's commitment to deliver new and innovative service and risk management solutions resulted in further enhancements to customer service outcomes and the rationalization of clients' costs. Connells Survey & Valuation continues to work closely with lenders, UK Finance, the RICS, The Department for Levelling Up, Housing and Communities and other bodies in the development of policy and initiatives to support the evolving UK housing market.

The UK housing market went through a period of significant change over the course of 2022, with transaction levels falling back as a result of increasing interest rates, higher living costs and political discord bearing down on consumers. Given the direct link with the residential mortgage lending and valuation sectors, Company trading levels fell back. Nevertheless, the Company delivered a strong set of financial results.

For 2022, the Company delivered a pre-tax profit of £14,099,000 (2021: £16,407,000).

#### Operational review and key performance indicators

	2022 £000	2021 £000	Change %
<b>Revenue</b>	61,202	64,842	-5.6%
<b>EBITDA</b>	14,250	16,842	-15.4%
<b>Income per job</b>	£230	£220	4.5%
<b>Lender contracts won/renewed</b>	10	13	-23%
<b>Surveys and valuations completed</b>	266k	295k	-9.8%

## Strategic Report (continued)

### Section 172 statement – The Board's approach

#### *Policies and Practices*

The Company's objectives are to maximise the long-term value and revenue for its shareholders, to create secure and rewarding employment for its people and to deliver a high quality service to participants in the UK residential property market. The Board considers its shareholders, customers and colleagues to be the Company's key stakeholders.

#### *Corporate Governance*

The Board is responsible for determining the Company's strategy for managing risk and overseeing its systems of internal control. The ongoing effectiveness of these internal controls are reviewed by the Board on a regular basis. The Company 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 Company.

#### *Employee Matters*

The Company is committed to ensuring that our colleagues have a great place to work by engaging with them, supporting and developing them in their careers and career aspirations, and by promoting inclusion and diversity in our workforce. We also encourage colleagues to engage in local community and charitable activities.

The Company 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 Company seeks direct feedback from its workforce on areas such as leadership, reward, trust, respect, well-being and communication. The Company carried out an employee engagement survey in 2022 which benchmarked colleagues' engagement and provided feedback for managers to implement measures relevant to their teams.

The Company has worked with the Connells Group to establish a Diversity and Inclusion committee, aimed at ensuring that the Company supports a diverse and inclusive workplace. During 2022 representatives of the Company participated in a Women in Leadership programme. In 2023 the Company will continue to participate in this programme, as well as working to establish diversity and inclusion networks to cover gender, race, LGBTQI+ and wellbeing, deliver unconscious bias training for managers and leaders, and launch a Great Place to Work action plan covering values, mission, leadership and culture.

The Company 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. Remuneration structures are designed to reward high performance. The Company's modern slavery policy supports the objectives of the Modern Slavery Act 2015, further details of which can be found on the Company website. The Company continues to operate with the safety of its colleagues and customers being a priority.

The Company is committed to ensuring that there are no instances of bribery or corruption throughout the business. Company 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 Company. The policies are readily available for employees to view on the Company's intranet and employees are required to receive annual refresher training to ensure they can recognise and prevent the use of bribery.

#### *Social Matters*

During 2022 the Company supported Lionheart, the benevolent fund for the Royal Institution of Chartered Surveyors and their families.

The Company also supported MIND UK, a leading mental health charity which provides advice and support to empower anyone experiencing mental health problems, with a number of charitable initiatives during 2022.

In addition to this, the Company regularly supports other national charitable events such as Comic Relief, Children in Need and a local charity KidsOut.

#### *Environmental Matters*

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

The Company Environmental Policy outlines the ways in which the Company reduces the use of paper, utilises recycling options, and reduces pollution and levels of energy use. Initiatives such as the reduction in company car CO2 emissions and the replacement of lighting with low energy units (e.g. LED spot lights and panels) are examples of the Company's commitment to operating in an environmentally sustainable way.

Further details around Streamlined Energy and Carbon Reporting (SECR) are set out in the accounts of the parent company, Connells Limited.

## Strategic Report (continued)

### ***Business Relationships***

The Company closely monitors all of its business relationships which enable it to deliver its customers with excellent service. It assesses, on an ongoing basis, any risk of an adverse impact on its customers, people and the environment in which the Company 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 Company 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 are engaged when negotiating terms with key suppliers and in specific cases will attend strategic review meetings to guide the future approach with that supplier.

The Company is committed to providing its customers with a high level of service which is tailored to their individual needs, and providing a range of suitable products.

The Company's services are primarily delivered through surveyors, with support from centralised customer service teams who help ensure the delivery of positive customer outcomes.

### ***Decision Making***

The Board meets regularly and makes decisions which promote the success of the Company and its stakeholders. Proposals are discussed in detail and approved by the Board which ensures key decisions comply with the risk management framework detailed below. Examples of key decisions taken during 2022 include:

- The annual budget was approved following a robust and comprehensive review process. It was decided the budget would promote the success of the Company.
- Approved interim dividends – Meeting shareholder dividend expectations is a top priority to ensure the funds are able to benefit the wider Connells Group. The budget indicates the dividend level to be sustainable and still allow the Company to invest in future growth.
- Investment into additional people, technology and ESG activities to deliver continued high quality outcomes for the Company and its stakeholders.

### ***Risks and uncertainties***

The Company's objective is to appropriately manage all the risks that arise from its activities. The Company has a formal structure for managing risks throughout the Company.

This has three elements:

- The Company's risk appetite is documented in risk appetite statements, which are reviewed and approved annually by the Board.
- The primary responsibility for managing risk and ensuring appropriate controls are in place lies with the Company's management. The immediate and ultimate parent undertakings, Connells Limited and Skipton Building Society, through their risk and compliance functions provide monitoring and oversight on behalf of the Society's Board.
- The Board Audit Committee of Skipton Building Society oversees the effectiveness of the risk management framework and the control environment through Skipton Group's Internal Audit function, whose reports are also provided to the Company's Board.

The principal risks facing the Company, and how the Company seeks to mitigate these, are set out on the following pages.

## **Strategic Report** (continued)

### ***Capital***

In common with other survey and valuation businesses, the Company is highly operationally geared. Performance is dependent on the volume and value of reports that each surveyor carries out daily. In the short term, many costs are fixed as these relate to staff employment, and so when income falls it may have a direct and adverse impact on profits and cash flows. The residential housing market is volatile and a material downturn could impact the Company's profitability disproportionately. The Company's policy is to retain sufficient cash and capital resources to allow it to withstand market volatility and achieve its corporate objectives.

### ***The Market***

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

The Board continues to review leading indicator KPIs and other macro-economic data regularly, in order that appropriate action is taken to manage short term market uncertainties whilst ensuring that the Company, 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 Company maintains sufficient resources to withstand a severe downturn in the UK housing market.

### ***Competitors and industry landscape***

The Company continues to monitor changing trends in the markets in which it operates and will continue to invest in both its systems and people so that it can address any relevant changes to customers' behaviour and expectations.

Alongside technology advances, we envisage that the increased use of Automated Valuation Models may reduce the requirement for some RICS valuation reports on lower risk lending. Connells' service model is continuing to evolve to meet such needs. We are also extending our RICS surveying capabilities to reflect the enhanced servicing requirements of clients and demand for private survey reports.

### ***Regulatory Compliance***

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

### ***IT Infrastructure and information security***

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

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

### ***Professional indemnity exposure***

Business performance is also impacted by the actual level of claims and potential professional indemnity claims in relation to surveys and valuations performed by the Company. This risk is commonplace across the industry. To reduce the likely incidence of such claims in the future, robust training, supervision and quality assurance processes are in place. The Company also robustly defends claims and adopts a prudent provisioning policy, taking into account the strength of the Company's case and its history of successfully defending claims. While the level of future claims is uncertain, claim volumes have remained at a low level in 2022 with current claims being well managed by an experienced team.

### ***Financial misstatement and fraud***

Material financial misstatement arising due to an error or fraud could cause reputational damage, financial loss or lead to inappropriate decision making. The Company's financial controls, including segregation of duties, are designed to operate throughout the business to address this risk. These controls are supplemented by comprehensive monitoring of financial performance to budget and expectations.

### ***Loss of a major contract***

The Company has entered into a number of important customer contracts, the loss of which would adversely affect the income and performance of the Company. Regular review meetings are held with clients to identify any potential issues and allow issues to be escalated and resolved at an early stage.

## Strategic Report (continued)


### *Customers*

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

### *People*

The Company is a people business and as such is reliant on the ability, training, skills and motivation of its staff. A key risk to the business is colleague retention, particularly its RICS Surveyors. In order to combat this, the Board ensure that service agreements, remuneration packages, training and development and human resources policies are aimed at attracting, rewarding and retaining key people.

By order of the board



RTB Bowen  
Director

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

26 April 2023

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not continue in business.

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

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

The directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with UK 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 annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONNELLS SURVEY & VALUATION LIMITED

## Opinion

We have audited the financial statements of Connells Survey & Valuation Limited for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

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

## Conclusions relating to going concern

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

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

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

## Other information

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

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

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

We have nothing to report in this regard.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONNELLS SURVEY & VALUATION LIMITED (*continued*)**

## **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## **Matters on which we are required to report by exception**

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

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

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

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

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

## **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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONNELLS SURVEY & VALUATION LIMITED (*continued*)

- We understood how Connells Survey & Valuation 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.
  - Utilising data analytics to highlight potentially anomalous transactions in areas of the business which are determined to have an elevated fraud risk.
  - Evaluating the business rationale of significant transactions outside the normal course of business, and;
  - Challenging judgements made by management. This included corroborating the inputs and considering contradictory evidence.

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

### Use of our report

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

Ernst + Young LLP

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

## Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Year ended 2022 £000	Year ended 2021 £000
Revenue	3	61,202	64,842
Employee benefit expenses	6	(28,729)	(29,694)
Other operating expenses		(18,518)	(18,847)
<b>Operating profit</b>	<b>2</b>	<b>13,955</b>	<b>16,301</b>
<b>Presented as:</b>			
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>14,250</b>	<b>16,842</b>
Depreciation of property, plant and equipment	8	(252)	(314)
Depreciation of right-of-use assets	9	(7)	-
Amortisation of intangibles	10	(36)	(227)
<b>Operating profit</b>		<b>13,955</b>	<b>16,301</b>
Finance income	4	145	106
Finance costs	5	(1)	-
		144	106
<b>Profit before tax</b>		<b>14,099</b>	<b>16,407</b>
Tax expense	7	(2,698)	(2,947)
<b>Profit for the year being total comprehensive income</b>		<b>11,401</b>	<b>13,460</b>

In 2022, the Company made no material acquisitions and had no discontinued operations.

There were no recognised income and expense items in the current year (2021: £nil) other than those reflected above.

The notes on pages 16 to 29 form part of these financial statements.

## Statement of Financial Position

AT 31 DECEMBER 2022

	Notes	£000	31 December 2022 £000	£000	31 December 2021 £000
<b>Non-current assets</b>					
Property, plant and equipment	8	713		970	
Right of Use Assets	9	109		-	
Intangible assets	10	20,571		20,485	
Deferred tax assets	11	<u>299</u>		<u>389</u>	
<b>Total non-current assets</b>			<b>21,692</b>		<b>21,844</b>
<b>Current assets</b>					
Trade and other receivables	12	5,350		6,452	
Tax assets		130		-	
Cash and cash equivalents	13	<u>10,108</u>		<u>9,590</u>	
<b>Total current assets</b>			<b>15,588</b>		<b>16,042</b>
<b>Total assets</b>			<b><u>37,280</u></b>		<b><u>37,886</u></b>
<b>Current liabilities</b>					
Trade and other payables	14	5,044		9,507	
Provisions for liabilities	15	2,385		2,630	
Tax liabilities		-		159	
Lease Liabilities	16	<u>22</u>		<u>-</u>	
<b>Total current liabilities</b>			<b>7,451</b>		<b>12,296</b>
<b>Non-current liabilities</b>					
Trade and other payables	14	297		499	
Provisions for liabilities	15	567		622	
Lease Liabilities	16	<u>95</u>		<u>-</u>	
<b>Total non-current liabilities</b>			<b>959</b>		<b>1,121</b>
<b>Total liabilities</b>			<b>8,410</b>		<b>13,417</b>
<b>Equity- attributable to equity holders of the Company</b>					
Share capital	17	-		-	
Retained earnings	17	<u>28,870</u>		<u>24,469</u>	
<b>Total equity</b>			<b>28,870</b>		<b>24,469</b>
<b>Total equity and liabilities</b>			<b><u>37,280</u></b>		<b><u>37,886</u></b>

These accounts were approved by the Board of Directors on 26 April 2023 and signed on its behalf by:



RTB Bowen  
Director

Company registration number: 04046987

The notes on pages 16 to 29 form part of these accounts.

**Statement of Changes in Equity**

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2022	-	24,469	24,469
Total comprehensive income for the year	-	11,401	11,401
Dividends paid in the year	-	(7,000)	(7,000)
<b>Balance at 31 December 2022</b>	<b>-</b>	<b>28,870</b>	<b>28,870</b>
Balance at 1 January 2021	-	23,009	23,009
Total comprehensive income for the year	-	13,460	13,460
Dividends paid in the year	-	(12,000)	(12,000)
<b>Balance at 31 December 2021</b>	<b>-</b>	<b>24,469</b>	<b>24,469</b>

The dividend per share totalled £70,000 (2021: £120,000).

The notes on pages 16 to 29 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

Connells Survey & Valuation Limited (the "Company") is a Company incorporated and domiciled in the UK. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's accounts:

#### a) Basis of accounting

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1p).

#### Financial reporting standard 101 – reduced disclosure exemptions

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

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

The Company's financial statements are consolidated into the consolidated financial statements of Connells Limited (the Company's immediate parent undertaking) as at 31 December 2022. Those accounts may be obtained on request from Cumbria House, 16-20 Hockliffe Street, Leighton Buzzard, Bedfordshire, United Kingdom, LU7 1GN.

The Company's financial statements are consolidated into the consolidated financial statements of Skipton Building Society (the Company's ultimate parent undertaking) as at 31 December 2022. Those accounts are available online at [www.skipton.co.uk/about-us](http://www.skipton.co.uk/about-us) or on request from The Secretary, Skipton Building Society, The Bailey, Skipton, North Yorkshire, BD23 1DN.

#### Adoption of new and revised UK Financial Reporting Standards

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

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

#### Standards issued but not yet effective

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 1. Accounting policies *(continued)*

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

#### Measurement convention

The financial statements are prepared on the historical cost basis.

#### Currency presentation

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

#### Going concern

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

The Company is funded by its operating profits and the cash thereby generated. For the year ended 31 December 2022 the Company reported a profit before tax of £14,099,000 (2021: £16,407,000) and at 31 December 2022 had a cash balance of £10,108,000 (2021: £9,590,000), after paying dividends totaling £7,000,000 (2021: £12,000,000) to its shareholder. At the date of signing these accounts, the Company continues to hold a similar cash balance and has no external debt.

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

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

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

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

### b) Revenue recognition

Revenue, which excludes value added tax, represents total invoiced sales of the Company. Revenue is recognised on the date that the survey / valuation report is completed. Revenue and costs are recognised gross of sub-contracted panel fees. Invoices are usually payable within 30 days of issue, at which point all performance obligations are considered to have completed.

## 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 basis:

Fixtures and fittings	-	5 to 10 years
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) Intangible assets

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

Computer software	-	3 to 5 years
Customer contracts	-	3 to 6 years

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.

#### e) Goodwill

Goodwill arising on the acquisition of businesses represents the excess of the fair value of consideration over the fair value of identifiable net assets and contingent liabilities acquired at the date of acquisition.

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

#### f) Impairment

In accordance with IAS 36, Impairment of Assets, goodwill and intangible assets with an indefinite life is not amortised but is tested for impairment at each year end or when there is an indication of impairment. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)', which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations. The recoverable amount of goodwill is determined as the higher of its fair value less costs to sell and its value in use.

The Company applies discount rates based on its estimated current cost of capital of the subsidiary. Impairment of a subsidiary's associated goodwill 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) Trade and other receivables

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

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

#### h) Cash and cash equivalents

Cash comprises cash in hand and balances with banks and similar institutions. Cash equivalents comprise highly liquid investments which are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 1. Accounting policies (continued)

#### i) Leases

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

The Company assesses at contract inception whether a contract is, or contains a lease. IFRS 16 means the Company recognise a right-of-use asset and a corresponding liability at the date at which the leased asset is available.

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

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

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

#### j) Taxation

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

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

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

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

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

#### k) Trade and other payables

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

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 1. Accounting policies (continued)

#### l) Employee benefits

Certain employees are members of the Connells (2014) Group Pension Scheme. As it is not possible to split the cost of the plan attributable to the Company, the net defined benefit cost of the pension plan is recognised fully by Connells Limited, the Company's immediate holding company.

Certain employees are also members of the Connells Limited Group personal pension plan, the assets of which are held separately from those of the Company, as independently administered funds. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income as incurred.

#### Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonuses or profit share plans if the Company 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.

#### m) Provisions for liabilities and charges

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

#### n) Net financing costs

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

#### o) Critical accounting estimates, and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The Company 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:

##### *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 CGU 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 Company prepares cash flow forecasts on the assumption that the CGU is 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% (2021: 2.5%). The Company 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 2022 was 17.63% (2021: 13.59%).

##### *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 Company. 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 Company'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.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 1. Accounting policies (continued)

#### Lease term

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

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

### 2. Expenses and auditor's remuneration

	Year ended 2022 £000	Year ended 2021 £000
Profit before tax is stated after charging / (crediting) the following:		
Depreciation of property, plant and equipment	252	314
Depreciation of right-of-use assets	7	-
Amortisation of intangibles	36	227
Impairment loss on trade receivables	8	12
Profit on disposal of property, plant and equipment	(57)	(48)
Auditor's remuneration and expenses:		
Audit of these financial statements	32	40

### 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 services lines. All revenues are derived by the Company in the UK.

	Products and services transferred at a point in time 2022 £000	Total 2022 £000
Survey and valuation fees	58,541	58,541
Panel management fees	2,429	2,429
Other income	232	232
	61,202	61,202

	Products and services transferred at a point in time 2021 £000	Total 2021 £000
Survey and valuation fees	61,969	61,969
Panel management fees	2,512	2,512
Other income	361	361
	64,842	64,842

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4. Finance income	Year ended 2022 £000	Year ended 2021 £000
Interest receivable from group undertakings	145	106
5. Finance cost	Year ended 2022 £000	Year ended 2021 £000
Interest on lease liabilities	1	-

**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 2022 No.	Year ended 2021 No.
Directors	3	2
Surveyors	332	334
Administrative	172	176
	<u>507</u>	<u>512</u>

The aggregate payroll costs of those persons was as follows:

	£000	£000
Wages and salaries	24,846	25,787
Social security costs	2,858	2,918
Other pension costs	1,025	988
	<u>28,729</u>	<u>29,693</u>

Directors' emoluments:

	Year ended 2022 £000	Year ended 2021 £000
Remuneration as directors	649	744
Company contributions to defined contribution pension schemes	17	12
	<u>666</u>	<u>756</u>

The aggregate emoluments of the highest paid director were £372,264 (2021: £627,905). The amount paid to defined contribution pension plans on behalf of the highest paid director was £7,727 (2021: £7,584).

There are no key management personnel other than the Directors of the Company noted above.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. Tax expense	Year ended 2022 £000	Year ended 2021 £000
<b>a) Analysis of expense in the year at 19% (2021: 19%)</b>		
<b>Current tax expense</b>		
Total current tax at 19% (2021: 19%)	2,608	3,203
Adjustment for prior years	-	(4)
Total current tax	<u>2,608</u>	<u>3,199</u>
<b>Origination and reversal of temporary differences</b>		
Effects of changes in tax rates	72	(85)
Adjustment for prior years	18	(89)
Total deferred tax	<u>90</u>	<u>(252)</u>
<b>Tax expense</b>	<u><b>2,698</b></u>	<u><b>2,947</b></u>

**b) Factors affecting current tax expense in the year**

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

Profit before tax	<u>14,098</u>	<u>16,407</u>
Tax on profit at UK standard rate of 19% (2021: 19%)	2,679	3,117
Effects of:		
Expenses not deductible for tax purposes	2	1
Adjustments in respect of prior years	-	(82)
Tax rate changes	18	(89)
Super-deduction relief	(1)	-
<b>Tax expense</b>	<u><b>2,698</b></u>	<u><b>2,947</b></u>

**8. Property, plant and equipment**

	Fixtures and fittings £000	Motor Vehicles £000	Total £000
<b>Cost</b>			
At 1 January 2022	127	2,581	2,708
Additions	22	21	43
Disposals	-	(417)	(417)
<b>At 31 December 2022</b>	<u><b>149</b></u>	<u><b>2,185</b></u>	<u><b>2,334</b></u>
<b>Accumulated depreciation and impairment</b>			
At 1 January 2022	75	1,663	1,738
Depreciation charge for the year	26	226	252
Disposals	-	(369)	(369)
<b>At 31 December 2022</b>	<u><b>101</b></u>	<u><b>1,520</b></u>	<u><b>1,621</b></u>
<b>Carrying amounts</b>			
At 1 January 2022	<u>52</u>	<u>918</u>	<u>970</u>
<b>At 31 December 2022</b>	<u><b>48</b></u>	<u><b>665</b></u>	<u><b>713</b></u>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 9. Right of Use Assets

	ROU Land and buildings £000	Company total £000
<b>Cost</b>		
At 1 January 2022	-	-
Additions	116	116
<b>At 31 December 2022</b>	<b>116</b>	<b>116</b>
<b>Accumulated depreciation and impairment</b>		
At 1 January 2022	-	-
Depreciation charge for the year	7	7
<b>At 31 December 2022</b>	<b>7</b>	<b>7</b>
<b>Carrying amounts</b>		
At 1 January 2022	-	-
<b>At 31 December 2022</b>	<b>109</b>	<b>109</b>

### 10. Intangible assets

	Goodwill £000	Computer Software	Customer contracts and relationships £000	Total £000
<b>Cost</b>				
At 1 January 2022	20,450	-	2,176	22,626
Additions	-	122	-	122
<b>At 31 December 2022</b>	<b>20,450</b>	<b>122</b>	<b>2,176</b>	<b>22,748</b>
<b>Amortisation and impairment losses</b>				
At 1 January 2022	-	-	2,141	2,141
Amortisation charge for the year	-	1	35	36
<b>At 31 December 2022</b>	<b>-</b>	<b>1</b>	<b>2,176</b>	<b>2,177</b>
<b>Carrying amounts</b>				
At 1 January 2022	20,450	-	35	20,485
<b>At 31 December 2022</b>	<b>20,450</b>	<b>121</b>	<b>-</b>	<b>20,571</b>

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

Goodwill acquired in a business combination is allocated at acquisition to the individual cash generating units (CGU's) that are expected to benefit from that business combination. The only CGU is the Survey & Valuation Business. The recoverable amount of the CGU is determined from value in use calculations.

There was no impairment charge during the year. The recoverable amounts of goodwill and brands are determined from value-in-use calculations for the CGU's identified above.

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested for impairment. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations. Had the Company amortised goodwill, a period of 20 years would have been chosen as the useful life. The profit for the year would have been £1,023k (2021: £1,023k) lower had goodwill been subject to amortisation.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

**11. Deferred tax**

	Year ended 2022 £000	Year ended 2021 £000
The movement on the deferred tax asset is as shown below:		
At 1 January	389	138
Adjustment in respect of prior years (Charge) / credit to income statement	-	78
At 31 December	299	173

Deferred tax assets are attributable to the following items:

	Asset/ (liability) £000	(Charged)/ credited to income £000
<b>Deferred tax assets</b>		
<b>2022</b>		
Capital allowances	193	19
Intangible assets	-	-
Provisions	106	(109)
	299	(90)
<b>2021</b>		
Capital allowances	174	45
Intangible assets	-	5
Provisions	215	123
Prior year adjustment	-	78
	389	251

The deferred tax assets are considered to be recoverable in full. Where deferred tax balances are expected to reverse before 1 April 2023, they have been calculated at the currently enacted corporation tax rate of 19%. The corporation tax rate increase from 19% to 25% with effect from 1 April 2023 was substantively enacted on 24 May 2021 and deferred tax balances that are expected to reverse after this date have been calculated at 25%.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

**12. Trade and other receivables**

	Year ended 2022 £000	Year ended 2021 £000
Trade receivables	3,533	5,071
Prepayments and accrued income	722	727
Amounts due from ultimate parent undertaking	495	562
Amounts owed from parent undertaking	554	-
Amounts due from group companies	49	101
Bad debt provision	(3)	(9)
	<b>5,350</b>	<b>6,452</b>

Amounts due from the ultimate parent, parent and group companies are unsecured, interest free and repayable on demand.

**13. Cash and Cash Equivalents**

	Year ended 2022 £000	Year ended 2021 £000
Bank balances	933	1,690
Call deposits	9,175	7,900
	<b>10,108</b>	<b>9,590</b>

The call deposits represent cash on deposit with Connells Limited, the immediate parent undertaking. The amounts are repayable on demand at the discretion of Connells Survey & Valuation Limited.

**14. Trade and other payables**

	Year ended 2022 £000	Year ended 2021 £000
<b>Due within one year</b>		
Trade payables	206	561
Accruals	3,520	5,013
Other payables	1,311	2,298
Amounts owed to parent undertaking	-	1,616
Amounts owed to other group undertakings	7	19
	<b>5,044</b>	<b>9,507</b>
<b>Due after more than one year</b>		
Other payables	<b>297</b>	<b>499</b>

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

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 15. Provisions

Professional Indemnity Claims	Year ended 2022 £000	Year ended 2021 £000
At 1 January	3,252	4,069
Provisions utilised during the year	(161)	(120)
New provisions made during the year	513	403
Provisions released during the year	(652)	(1,100)
At 31 December	<u>2,952</u>	<u>3,252</u>
Due within one year or less	2,385	2,630
Due after more than one year	567	622
	<u>2,952</u>	<u>3,252</u>

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 Company as well as ongoing current claims. The provision includes valuation and defect claims. It is not possible to estimate the timing of payment of all claims and therefore a proportion of the provision has been classified as non-current. Although it is expected a significant proportion of the provision will be settled within the next 2 years some may take longer to settle entirely.

#### *Valuation claims*

The value provided on each valuation claim is the estimated exposure net of any Professional Indemnity insurance cover. 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 proportion of the provision has been classified as non-current.

#### *Defect claims*

The Company also provides for defect claims where it is found that a property has a defect subsequent to the survey being performed and the Company expects to incur a liability. In some cases, the survey may not have identified the defect and this leads to claims being brought against the Company. The value provided for each claim is the expected value of said claim, net of any Professional Indemnity insurance cover. 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 Company.

### 16. Lease liabilities

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

	2022 £000
<b>Cost</b>	
At 1 January	-
Additions	116
Interest charged	1
Lease payments	-
At 31 December	<u>117</u>

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

	2022 £000
<i>Lease liabilities are repayable:</i>	
In not more than 3 months	1
In more than 3 months but less than 1 year	21
In more than 1 year but less than 5 years	95
	<u>117</u>

The discount rate for the leases range from 0.5% to 4.6%. The Company's lease contracts have termination options, usually through a break clause. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and adapt to the company's business needs. Management exercises judgement in determining whether these termination options are reasonably certain to be exercised.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

**17. Share capital**

	Year ended 2022 £000	Year ended 2021 £000
<b>Allotted, called up and fully paid</b>		
100 (2021: 100) £1 Ordinary shares	-	-

The Company has 1,000 authorised shares.

**Management of capital**

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

	Year ended 2022 £000	Year ended 2021 £000
<b>Capital</b>		
Ordinary shares	-	-
Retained earnings	28,870	24,469
	28,870	24,469

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;
- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk; and the capital position is reported to the Board regularly. The capital position is also given due consideration when corporate plans are prepared.

**18. Related Party Transactions**

The Company has taken advantage of the exemptions conferred by FRS 101 from the requirements to make disclosures concerning transactions with other wholly owned members of the Connells Group and Skipton Group, as the company is a wholly owned subsidiary and consolidated accounts are publicly available for both the immediate parent and ultimate parent-undertaking.

Outstanding balances between Group entities as at the Statement of Financial Position date are disclosed within notes 12 and 14 above.

The Company has related party relationships with non-wholly owned members of the Connells Group and Skipton Group as detailed below. All such transactions are priced on an arm's length basis. Transactions with Sharman Quinney are disclosed until 30 June 2022 when the company became a wholly owned subsidiary of the Connells Group.

	Year ended 2022 £000	Year ended 2021 £000
<b>a) Net Interest</b>		
Interest receivable	-	-
<b>Total</b>	-	-
<b>b) Sales of goods and services</b>		
Commission receivable	243	141
<b>Total</b>	243	141
<b>c) Purchase of goods and services</b>		
Commissions payable	22	26
Administration charges	-	-
<b>Total</b>	22	26
<b>d) Outstanding balances</b>		
Receivables from related parties	20	20
Payables to related parties	-	2
<b>Total</b>	22	22

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 18. Related Party Transactions *(continued)*

There are no provisions in respect of goods and services to Related Parties, either at 31 December 2022 or at 31 December 2021. All transactions are dealt with on normal credit terms.

### 19. Pensions

#### Defined contribution schemes

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company, in independently administered funds. The amount charged to the Income Statement in respect of the defined contribution schemes is the contribution payable in the year and amounted to £1,024,939 (2021: £988,413). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

### 20. Ultimate parent undertaking

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

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