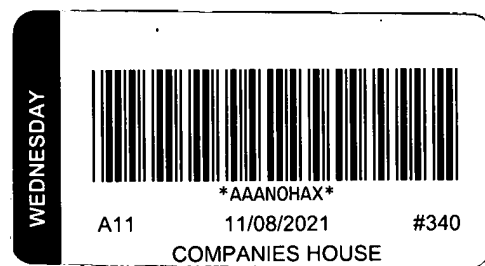


**Mortgage and Surveying Services Limited**

**Report and consolidated financial statements  
for the year ended**

**31 March 2021**



## MORTGAGE AND SURVEYING SERVICES LIMITED

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**MORTGAGE AND SURVEYING SERVICES LIMITED**

**DIRECTORS AND ADVISERS**

**Directors**

CA Wall (Chair)  
GP Brewster  
R Clifford  
I Fergusson  
EA Gratton  
PR Gratton  
CC Hickling  
JA Hickling  
SP Jackson  
G Sunner

**Secretary**

S Tuck

**Registered office**

3&4 Regan Way  
Chetwynd Business Park  
Chilwell  
Nottingham  
NG9 6RZ

**Auditor**

KPMG LLP  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

## MORTGAGE AND SURVEYING SERVICES LIMITED

### GROUP STRATEGIC REPORT

The directors present the Group Strategic Report for Mortgage and Surveying Services Group Limited ("MSS") and its subsidiary undertakings for the year ended 31 March 2021.

#### *Introduction*

MSS is a fast growing and established provider of mortgage network and surveying services to the residential property sector in the UK. Its activities are naturally complementary in aggregating professional services at different stages of a property or mortgage transaction. As a result, MSS has significant multi-dimensional relationships across a range of lenders, brokers and insurers.

Our success is based on applying our technology platforms to provide an exceptional level of customer service whilst driving customer engagement; delivering business efficiency; and effectively managing key business and regulatory risks.

The Group's strategy is to continue to develop its underlying service led proposition, enabling it to grow and develop through organic and acquisitive network expansion in both its mortgages and surveying businesses. Despite the challenges presented by COVID, MSS has continued to make positive progress in both of its activities - gaining market share, winning new contracts and increasing numbers of both in-house surveyors and Appointed Representatives (independent firms who are authorised through our mortgage network).

During the first national lockdown MSS preserved cash flow by making use of the furlough scheme and deferring certain creditor payments. All furloughed employees were re-introduced into the business by the end of July 2020, creditor payments were returned to agreed terms and all deferred creditor payments were settled by the end of the calendar year.

Although financial performance in the first half of the year was, understandably, impacted by the various COVID restrictions the business still delivered operating profits (before depreciation and amortisation) of c£0.9 million over the first 6 months. Importantly, it demonstrated significant operational resilience and took the opportunity to launch, and prove, some exciting developments within our surveying product portfolio. This has positioned us well to build on our lender relationships and capture further market share.

In our mortgages business we capitalised on the opportunity to accelerate our recruitment of new Appointed Representatives which, over the course of the year, have increased by 21%. We are delighted to welcome these new members to our network and look forward to welcoming many more during the course of our next financial year.

Our performance in the second half of the year rebounded particularly strongly, assisted by both the announcement of a stamp duty holiday and a buoyant demand for properties. During this period, MSS delivered operating profits (before depreciation and amortisation) of c£7.1 million.

As noted in last year's accounts, in December 2020, the Group took on a £9.1 million loan under one of the Government backed loan schemes and introduced £3.5 million of additional investment from its shareholders. This allowed the Group to immediately complete the disposal of its cash consumptive and loss making activities in Property / Estate Management and Auctions.

Since the year end, we have continued to show positive progress and been able to make accelerated re-payments against our government backed loan. Having invested in operational capacity, delivery platforms and supporting technology, the Board are confident that MSS is well positioned to deliver further growth within a post pandemic residential property market.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Market Review

The UK housing market has consistently delivered an average of 1.2 million transactions pa for a number of years. During our financial year ended 31 March 2021, the market was broadly in line with this historical average but COVID restrictions and the introduction of a stamp duty holiday led to c35% of transactions (0.4m) being completed in the first half of our financial year and 65% (0.8m) being completed in the second half.

We are yet to see the potential impact of the phased withdrawal of the stamp duty holiday, but the market continues to demonstrate resilience. As a result of improved consumer savings ratios, and a desire to have more living space, the demand for house moves remains high and the low interest environment means mortgages continue to be serviceable. Furthermore, unlike the challenges experienced in the aftermath of the economic shocks of 2007/2008, the current housing market is not restricted by the ability of banks to lend.

House Price Inflation has been a feature of the past 12 months and although we expect this to soften, continuing demand together with a lack of housing stock on the market should mean we avoid any significant pricing shocks.

Whilst the UK property market is cyclical in nature, taking all of the above into account we don't anticipate any significant divergence from the long term average of 1.2 million transactions pa. Existing operations are currently scaled to support this level of activity with the ability to manage a possible acceleration beyond this more recent trend if necessary.

Should there be any short-term variations in house move volumes, we should not forget that MSS benefits from a consistent level of re-mortgage activity, which represents almost 1/3<sup>rd</sup> of a total mortgage market. Furthermore, its mortgage network proposition is solely focussed on supporting an intermediary market which is increasing its share of all mortgage distributions and is now 78% of all mortgage lending.

### Mortgage Network (Turnover: FY21 £48.7 million)

MSS's Stonebridge brand is one of the UK's largest and fastest growing mortgage networks. Its customers now originate over £8.6bn of mortgage transactions pa. and it was named Best Network at the Financial Reporter Awards in both 2020 and 2021 and MoneyFacts' Awards 2021 Mortgage Network of the Year. As well as Stonebridge's network for Appointed Representatives and Directly Authorised advisors, MSS also has its own Direct to Consumer Brokerage (MoneyQuest) and protection advice business (Pure Protect).

Stonebridge prides itself on its compelling proposition which includes a suite of IT, compliance, marketing and training services for member firms operating as independent mortgage brokers. Member firms also gain access to its industry-leading proprietary software platform, Revolution, which increasingly includes sophisticated Artificial Intelligence technology to aid the consumer journey and simplify advisor productivity. The business has also deployed robotics in various operational support areas, again delivering productivity gains as well as enhanced risk mitigation.

Having invested in its recruitment, on-boarding and training capacity, Stonebridge continues to grow its highly important AR base which, having added 21% during the financial year, now includes over 850 advisors. This growth in network capability means the business is well positioned to capitalise on future market activity and, more importantly, the increasing share delivered through intermediaries.

## **MORTGAGE AND SURVEYING SERVICES LIMITED**

Mortgage related turnover for the first half of the year was significantly constrained by COVID restrictions (which included an effective “closure” of the housing market for a number of weeks) and was some 22% below that achieved in the prior year (FY21 H1 Turnover: £19.3m). However, with the recovery in property transactions alongside the targeted growth in Appointed Representative advisor numbers, it improved dramatically during the second half where it was 20% above prior year (FY21 H2 Turnover: £29.4m). This much improved level of financial performance has carried through into the first quarter of the current financial year.

### **Surveying and Panel Management Services (Turnover: £26.9 million)**

Going to the market as SDL Surveying, MSS is one of the UK’s largest independent providers of mortgage valuations working with most major lenders in the UK. It currently manages c250,000 valuations per annum which equates to a market share approaching 20% and SDL Surveying was named Best Surveyor at the Financial Reporter Awards in 2021.

By combining traditional physical inspections with more innovative data informed valuations, we provide lenders with a truly differentiated offering. We are also able to service consumers with a more bespoke offering which extends beyond a pure valuation.

We operate through a network of external and internal surveyors to ensure maximum geographical coverage and, as well as increasing the reach of our external network, we have continued to recruit in-house surveyors who now exceed 100.

Our surveying business has benefited from investment in industry-leading technology over a number of years, providing a platform for increased fulfilment capacity, improved processing and desktop valuations. This has resulted in being recognised for delivering best-in-class service to UK Lenders, and reducing the time to complete valuations. We continue to top supplier service league tables, with a service strategy and product innovation which consistently generates increased volume commitments from several major lenders.

During the initial lockdown period we accelerated our desktop proposition to increase market share, and volumes, at a time when transactional activity was significantly depressed. As the lifting of restrictions returned the market to physical valuations, increased transactional activity meant we were able to maintain these first half volume levels throughout the year. Over the course of FY21 volumes delivered increased by 6% with turnover increasing by 11%.

### **Discontinued Activities and Exceptional Items**

The audited accounts to 31 March 2020 noted that MSS owned various Property Management, Estate Management and Auctions activities which had differing market dynamics, investment requirements, cash flows and operational returns to our core Mortgage and Surveying business. Having operationally separated these loss making businesses some time ago we were finally able to complete their disposal in December 2020

In the 8 months up to the point of disposal these activities delivered an operating loss of £3.2 million, which is separately included in discontinued activities. Furthermore this transactional process, together with raising of new finance, included costs of £0.4 million which are included in exceptional items.

Mortgage and Surveying Services Limited was previously called SDL Property Services Group Limited and changed its name on 9 December 2020 to reflect its refocused activities following these disposals.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### KPIs

	Year ended 31 March 2021			Year Ended 31 March 2020		
	<i>Mortgages</i>	<i>Surveying</i>	<i>Total</i>	<i>Mortgages</i>	<i>Surveying</i>	<i>Total</i>
Revenues	£48.7m	£26.9m	£75.6m	£50.6m	£24.3m	£74.9m
EBITDA pre-exceptional	-	-	£8.4m	-	-	£6.5m
Staff Numbers	87	258	345	86	249	335
Gross Mortgage Lending (arranged by our network clients)	£8.6bn	-	£8.6bn	£7.9bn	-	£7.9bn
Appointed Representatives within our Stonebridge network at Year End	829	-	829	684	-	684
Total panelled volumes	-	204k	204k	-	196k	196k

### Balance Sheet

As a result of new shares issues and a change in the structure of share warrants, consolidated reserves and share capital have improved by £2.3 million over the course of the financial year. More importantly, year end net current assets were £3.1m, including £8.5m of cash balances.

MSS is in the fortunate position of benefitting from a working capital structure which requires little investment to support growth, resulting in a relatively high EBITDA to operating cash conversion ratio. It is worth noting that as a result of its ownership structure, borrowings includes £21.9m of sub-ordinated funding which has been provided by existing equity providers.

The Board is confident that the Group reflects a highly profitable and cash generative business with a funding structure, and level of shareholder support, which is appropriate for its future plans.

### Principal Risks and Uncertainties

The Group's revenues and profits are substantially dependent on the volume of housing transactions in the UK residential property market, buy to let activity and consumer appetite for re-mortgaging. During recent years, the mortgage market has been stable, but remains cyclical and subject to changes in consumer confidence. The Group maintains its focus on retaining key customer relationships through high levels of customer service, which enables it to compete successfully in a difficult market.

- The performance of the housing market is closely tied to the performance of the UK economy which, at present, is emerging from the impact of the global COVID pandemic and the recent exit from the European Union. Clearly these represent potential threats to UK GDP and unemployment rates which, in turn, could impact both housing market volumes and average prices.

Although the Group has demonstrated its ability to respond to a global pandemic, it continues to remain vigilant over its income streams, cost base and cash generation. Additionally, its fundraising has restored cash headroom which was damaged during the first national lockdown. Furthermore, the disposal of its non core activities has left a remaining business which is both profitable and has a high level of operating cash conversion.

- The Group's bank borrowings are subject to certain covenants which are dependent on trading performance and cash generation.

The Group has always maintained a close dialogue with its bankers and, where they have been necessary, agreed covenant relaxations or payment holidays with them in advance. As a part of the recent fundraising all financial covenants were reviewed and revised to provide headroom against anticipated performance.

- The Group has variable rate debt that exposes it to some interest rate risk.

A proportion of the exposure on any paid interest has been mitigated through treasury instruments.

### Conclusion

Following the refinancing and disposals which have taken place, and the investments which have been made in expanding both capacity and capability, the Group is now a highly focussed mortgage and surveying services business. This business is profitable, cash generative and is ideally positioned to capitalise on the opportunities presented by the UK residential property market.



Simon Jackson  
3 August 2021

## **MORTGAGE AND SURVEYING SERVICES LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and the financial statements for the year ended 31 March 2021.

#### **General information**

Mortgage and Surveying Services Limited is a private company incorporated and domiciled in the United Kingdom. The company's registered number is 06055271.

#### **Results for the year and dividends**

The loss for the year after taxation was £571k (2020: £17,592k). This reflects a pre-exceptional profit of £910k; exceptional costs of £370k and a loss of £1,111k relating to discontinued operations.

The directors have not recommended a dividend (2020: £Nil).

#### **Directors**

The directors who held office during the year and up to the date of signing the financial statements are given below:

CJ Anderton (resigned 27 July 2020)  
JW Bloomer, Chair (resigned 4 December 2020)  
GP Brewster  
R Clifford  
I Downing (resigned 19 January 2021)  
I Fergusson  
EA Gratton  
PR Gratton  
CC Hickling  
JA Hickling  
SP Jackson  
NV Tamplin (resigned 4 December 2020)

The following directors were appointed:

G Sunner - 19 January 2021  
CA Wall, Chair - 4 December 2020

#### **Future developments**

The Group's re-organisation allows management to focus on growing and developing its Surveying and Mortgage Broking businesses organically by increasing staff and mortgage advisor numbers and winning new contracts with customers.

#### **Financial risk management**

Details of the Group's financial instruments and its policies with regard to financial risk management are given in notes 27 and 28 to the financial statements.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### Subsequent events

There have been no significant events since the balance sheet date.

#### Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole.

#### Energy and emissions reporting

##### UK GHG emissions and energy use data for period ended 31 March

	2021	2020
Energy consumption used to calculate emissions:	177,331 kWh	291,584 kWh
	tCO <sub>2</sub> e	tCO <sub>2</sub> e
Emissions from combustion of gas (Scope 1)	13	15
Emissions from combustion of fuel for transport purposes (Scope 1)	76	86
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	185	259
Emissions from purchased electricity (Scope 2, location-based)	24	49
Emissions from waste disposal and recycling (Scope 3)	42	25
Total tonnes CO <sub>2</sub> emissions based on above	<u>340</u>	<u>434</u>
Intensity ratio: tCO <sub>2</sub> e (gross Scope 1 + 2) / £100,000 revenue	0.15	0.20
Intensity ratio: tCO <sub>2</sub> e (gross scope 1 + 2) per employee	0.33	0.45

Associated greenhouse gases have been calculated using GHG reporting protocol - corporate standard methodology. UK energy use covers surveying and mortgage services carried out by Mortgage and Surveying Services Limited, SDL Surveying Limited and Stonebridge Mortgage Solutions Limited. Exemptions from reporting have been applied to the remaining subsidiaries in the group due to them being small companies and inconsequential to the totals shown above. No emissions were produced outside of the UK.

#### Energy efficiency action taken

Following a review of the initial reporting the Company has decided that targeting emissions used for transport is the most efficient way to reduce our CO<sub>2</sub> emissions. As such a program was introduced to replace our existing fleet of petrol and diesel vehicles with electric and hybrid vehicles which should significantly reduce our greenhouse gas emissions.

## **MORTGAGE AND SURVEYING SERVICES LIMITED**

### **Section 172(1) Statement and Stakeholder Engagement**

The Board of Mortgage and Surveying Services Ltd (“the Company”) consider that they have adhered to the requirements of section 172 of the Companies Act 2006 (“the Act”) and have, in good faith, acted in a way that they considered would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so, have had regard to and recognised the importance of considering all stakeholders and other matters (as set out in s.172(1)(a-f) of the Act) in its decision-making.

As part of the wider Mortgage and Surveying Services Group (“the group”), taking into account the relative size of the Company and centralised nature of the group, the Board may consider it reasonable for decision making to be handled by the Group Board.

The new reporting legislation around stakeholder engagement is welcomed by the Board and the commentary and table below sets out our s.172(1) statement. This statement provides details of key stakeholder engagement undertaken by the Board during the year and how it helps the Board to factor potential impacts on stakeholders in the decision-making process.

#### **General**

The group promotes the highest standards of corporate governance and ensures that these standards cascade throughout the group and its subsidiaries. Guiding principles are in place for the relationship between the group board and the boards of the group’s subsidiaries. This framework promotes full and effective interaction across all levels of the group to support the delivery of strategy and business objectives within a framework of best corporate governance practice.

Corporate governance underpins how we conduct ourselves as a board, our culture, values, behaviours and how we do business. As a board we are conscious of the impact that our business and decision have on our direct stakeholders as well as our wider societal impact.

As part of the director induction process, the directors are briefed on their duties, including their duty under s.172 of the Act. The directors are entitled to request from the Company all such information they may reasonably require in order to be able to perform their duties as a director.

For each transaction approved by the Board discussion takes place around employee impact and impact on other stakeholders, such as customers. The relevance of each stakeholder group may vary by reference to the issue in question, so the Board seeks to understand the needs of each stakeholder group and potential conflicts as part of its decision-making. Additionally, the group company secretary is on hand to provide support to the Board ensuring that sufficient consideration and time is given to stakeholder issues during these discussions.

Each year the directors deliver a forecast which includes a three-year plan prepared in accordance with the long-term strategy of the group. The directors have also acted in the long-term interest of the group by supporting policies, behaviours and actions which promote the interest of people, customers, and other stakeholders.

#### **Stakeholder Engagement**

The table on the following pages sets our key stakeholders and provides examples of how we have engaged with them in the year, as well as demonstrating stakeholder consideration in the decision-making process.

**MORTGAGE AND SURVEYING SERVICES LIMITED**

Stakeholders	Our approach to stakeholder engagement	Stakeholder consideration in the Board's decision making
<p><b>Shareholders</b>  <i>Our shareholders are vital to the future success of our business, as our shareholders provide funds which aid business growth.</i></p>	<p><i>Performance metrics and updates are provided by the Board to our shareholders.</i></p>	<p><i>As a Board, we aim to provide clear information to our shareholders, and being honest and transparent as to the performance of the business. Value is generated for the shareholders by supporting the overall group to deliver on the business plan.</i></p>
<p><b>Customers</b>  <i>We work closely with our customers to understand their evolving needs so the Company can improve and adapt to meet them.</i></p>	<p><i>To have a strong customer focus but also understand that the best service we can offer our customers is to deliver best value.</i></p>	<p><i>Long term customer engagement is a key part of the process in developing new propositions and progressing existing ones. MSS' market growth in the last 12 months has primarily been an effect of maintaining high levels of quality service and customer engagement.</i></p> <p><i>Where customer relationships are more ad hoc MSS aims to provide a consistently high quality of service at a reasonable price to fulfil customer requirements.</i></p>
<p><b>Employees</b>  <i>Our people have a crucial role in delivering against our strategy and creating value.</i></p>	<p><i>The Company has implemented an employee survey which tracks the employees' view about the business and their connection to it.</i></p> <p><i>An employee panel comprising of representative employees from each area of the business has been formed, which enables the employees to share their views on specific topics.</i></p>	<p><i>Feedback from the employee surveys, as well as the employee panel is reviewed at Operating Board and Executive level and forms the basis of proposals and actions for senior management and the Board.</i></p>

## MORTGAGE AND SURVEYING SERVICES LIMITED

<p><b>Regulator</b> <i>A good working relationship with the Financial Conduct Authority and the Royal Institute of Chartered Surveyors in relation to our regulated entities ensures the Group works to the best possible standards</i></p>	<p><i>We maintain close contact with the regulators and proactively engage on any issues where the answer is not sufficiently clear.</i></p> <p><i>Our compliance team monitor any correspondence and emerging issues flagged by the regulators in order to ensure we are fully up to date with the latest guidance</i></p>	<p><i>The head of compliance and a non-executive director focussed on compliance both attend the subsidiary board meetings in order to have the opportunity to raise any relevant issues. These are then escalated to the Group board meeting if they are considered relevant to the Board's decision making.</i></p> <p><i>A compliance report of any issues identified within the subsidiaries is escalated to the group board meeting for consideration where relevant.</i></p>
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### Disclosure of information to the auditor

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant audit information of which the Company and the Group's auditor was unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company and the Group's auditor was aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### Auditor

A resolution to re-appoint the auditor, KPMG LLP, will be proposed at the next Annual General Meeting.

Approved by the board of directors  
and signed on behalf of the board



**Simon Jackson**  
3 August 2021

Registered number 06055271  
England and Wales

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent company financial statements in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORTGAGE AND SURVEYING SERVICES LIMITED**

**Opinion**

We have audited the financial statements of Mortgage and Surveying Services Limited ("the company") for the year ended 31 March 2021 which comprise the consolidated statement of profit and loss and other comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, company balance sheet, company statement of cash flows, company statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORTGAGE AND SURVEYING SERVICES LIMITED** *(continued)*

**Fraud and breaches of laws and regulations - ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and the audit committee as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as provision for the repayment of indemnity commissions and financial instruments valuation. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited incentives, rationalizations and opportunities to fraudulently adjust revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation of some of the Group-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As some of the Group's activities are regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORTGAGE AND SURVEYING SERVICES LIMITED** *(continued)*

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's regulated subsidiaries license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORTGAGE AND SURVEYING SERVICES LIMITED *(continued)*

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

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

#### Directors' responsibilities

As explained more fully in their statement set out on page 12 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

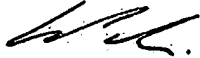
A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORTGAGE AND SURVEYING SERVICES LIMITED** *(continued)*

**The purpose of our audit work and to whom we owe our responsibilities**

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.



**Craig Parkin (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

3 August 2021

MORTGAGE AND SURVEYING SERVICES LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 March

	Notes	Result before exceptional items £'000	2021 Exceptional items (note 10) £'000	Total £'000	Result before exceptional items (Restated)* £'000	2020 Exceptional items (note 10) (Restated)* £'000	Total (Restated)* £'000
<b>Revenue</b>	3	<b>75,686</b>	-	<b>75,686</b>	<b>74,896</b>	-	<b>74,896</b>
Other operating income		148	-	148	140	-	140
Other external charges		(50,712)	(370)	(51,082)	(51,877)	(2,798)	(54,675)
Staff costs	6	(16,645)	-	(16,645)	(16,611)	-	(16,611)
Other operating charges		(121)	-	(121)	(89)	-	(89)
<b>EBITDA</b>		<b>8,356</b>	<b>(370)</b>	<b>7,986</b>	<b>6,459</b>	<b>(2,798)</b>	<b>3,661</b>
Depreciation and amortisation	4	(2,498)	-	(2,498)	(2,082)	-	(2,082)
<b>Operating Profit/(Loss)</b>	4	<b>5,858</b>	<b>(370)</b>	<b>5,488</b>	<b>4,377</b>	<b>(2,798)</b>	<b>1,579</b>
Share of associates' and joint venture's profit	15	105	-	105	99	-	99
Finance income	8	475	-	475	223	-	223
Finance costs	9	(4,212)	-	(4,212)	(3,139)	-	(3,139)
<b>Profit/(Loss) before taxation</b>		<b>2,226</b>	<b>(370)</b>	<b>1,856</b>	<b>1,560</b>	<b>(2,798)</b>	<b>(1,238)</b>
Taxation	11			(1,316)			(757)
<b>Profit / (loss) from continuing operations</b>				<b>540</b>			<b>(1,995)</b>
Discontinued operations	25			(1,111)			(15,597)
<b>Loss for the year</b>				<b>(571)</b>			<b>(17,592)</b>

There were no recognised gains and losses for 2021 or 2020 other than those included in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

\* Details of the restatement to reflect Discontinued Activities are shown in note 25.

MORTGAGE AND SURVEYING SERVICES LIMITED

CONSOLIDATED BALANCE SHEET as at 31 March

	Notes	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Goodwill	12	20,444	23,629
Intangible assets	13	12,271	15,386
Property, plant and equipment	14	1,964	3,084
Investments in associates and joint ventures	15	740	621
Receivables greater than one year	16	18,010	4,336
<b>Total non-current assets</b>		<b>53,429</b>	<b>47,056</b>
<b>Current assets</b>			
Trade and other receivables	16	6,756	6,735
Assets held for sale	25	-	3,889
Cash and cash equivalents	17	8,511	3,449
<b>Total current assets</b>		<b>15,267</b>	<b>14,073</b>
<b>Amounts falling due within one year</b>			
Trade and other payables	19	(8,384)	(13,053)
Borrowings	18	(3,750)	(4,777)
Shares classed as liabilities	18	-	(408)
Liabilities associated with assets held for sale	25	-	(4,685)
<b>Total current liabilities</b>		<b>(12,134)</b>	<b>(22,923)</b>
<b>Net current assets / (liabilities)</b>		<b>3,133</b>	<b>(8,850)</b>
<b>Total assets less current liabilities</b>		<b>56,562</b>	<b>38,206</b>
<b>Amounts falling due after more than one year</b>			
Borrowings	18	44,809	36,229
Shares classed as liabilities	18	6,320	5,426
Deferred tax liabilities	21	2,560	2,045
Other liabilities	19	12,093	5,988
<b>Total non-current liabilities</b>		<b>65,782</b>	<b>49,688</b>
Share capital	22	1,671	1,661
Share premium	24	8,063	7,979
Share warrants	24	2,739	-
Share based payment reserve	24	216	188
Capital redemption reserve	24	3,006	3,006
Merger reserve	24	976	976
Retained deficit	24	(25,891)	(25,292)
<b>Total equity</b>		<b>(9,220)</b>	<b>(11,482)</b>
<b>Total Capital Employed</b>		<b>56,562</b>	<b>38,206</b>

The financial statements were approved by the Board of Directors on 3 August 2021 and were signed on its behalf by:



**Simon Jackson**  
Registered number 06055271

MORTGAGE AND SURVEYING SERVICES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2020/21

	Share capital	Share premium	Share warrants	Share based payment reserve	Capital redemption reserve	Merger reserve	Retained deficit	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2019</b>	1,661	7,979	-	151	3,006	976	(7,663)	6,110
Loss for the year to 31 March 2020							(17,592)	(17,592)
	1,661	7,979	-	151	3,006	976	(25,255)	(11,482)
Transactions with owners:								
Share option charge				37			(37)	-
<b>Balance at 31 March 2020</b>	1,661	7,979	-	188	3,006	976	(25,292)	(11,482)
Loss for the year to 31 March 2021							(571)	(571)
	1,661	7,979	-	188	3,006	976	(25,863)	(12,053)
Transactions with owners:								
Share options exercised	10	84						94
Share warrants issued			2,739					2,739
Share option charge				28			(28)	-
<b>Balance at 31 March 2021</b>	1,671	8,063	2,739	216	3,006	976	(25,891)	(9,220)

MORTGAGE AND SURVEYING SERVICES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 March

Operating activities	Notes	2021 £'000	2020 £'000
Operating profit/(loss)		5,488	1,579
Discontinued operations		(1,111)	(15,597)
Depreciation and amortisation charge	13,14	3,219	3,548
Intangible impairments	12,13	-	11,130
(Profit)/loss on disposals		(1,508)	66
Decrease/(Increase) in receivables		(4,126)	688
(Decrease)/Increase in payables		8,072	1,518
Taxation		(888)	(1,325)
<b>Cash generated from operating activities</b>		<b>9,146</b>	<b>1,607</b>
<b>Investing activities</b>			
Purchases of plant and equipment	14	(80)	(705)
Additions to intangible assets	13	(374)	(832)
Cash disposed of on discontinued activities		(125)	-
Interest received		-	223
Loans to other debtors		(11,397)	(441)
<b>Net cash used in investing activities</b>		<b>(11,976)</b>	<b>(1,755)</b>
<b>Financing activities</b>			
Lease liabilities		(577)	(327)
Interest paid		(347)	(2,964)
New borrowings	18	13,318	1,929
Borrowings repaid	18	(4,777)	(2,750)
Proceeds from issue of shares		94	-
<b>Net cash (used in)/generated from financing activities</b>		<b>7,711</b>	<b>(4,112)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,881</b>	<b>(4,260)</b>
Cash and cash equivalents at the beginning of the year		3,630	7,890
<b>Cash and cash equivalents at the end of the year</b>	17	<b>8,511</b>	<b>3,630</b>

MORTGAGE AND SURVEYING SERVICES LIMITED

COMPANY BALANCE SHEET as at 31 March

	Notes	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Investments	15	33,302	36,524
Receivables more than one year	16	15,048	2,575
Total non-current assets		<u>48,350</u>	<u>39,099</u>
<b>Current assets</b>			
Trade and other receivables	16	43	4,761
Cash and cash equivalents	17	125	316
Total current assets		<u>168</u>	<u>5,077</u>
<b>Amounts falling due within one year</b>			
Trade and other payables	19	(305)	(2,602)
Borrowings	18	(3,750)	(4,777)
Shares classed as liabilities	18	-	(408)
Total current liabilities		<u>(4,055)</u>	<u>(7,787)</u>
Net current liabilities		<u>(3,887)</u>	<u>(2,710)</u>
<b>Total assets less current liabilities</b>		<u><b>44,463</b></u>	<u><b>36,389</b></u>
<b>Amounts falling due after more than one year</b>			
Borrowings	18	44,809	36,229
Shares classed as liabilities	18	6,320	5,426
Other liabilities	19	4,511	4,506
Total non-current liabilities		<u>55,640</u>	<u>46,161</u>
Share capital	22	1,671	1,661
Share premium	24	8,063	7,979
Share Warrants	24	2,739	-
Share based payment reserve	24	216	188
Capital redemption reserve	24	3,006	3,006
Merger reserve	24	976	976
Retained deficit		(27,848)	(23,582)
Total equity		<u>(11,177)</u>	<u>(9,772)</u>
		<u><b>44,463</b></u>	<u><b>36,389</b></u>

The financial statements were approved by the Board of Directors on 3 August 2021 and were signed on its behalf by:



Simon Jackson  
Registered number 06055271

MORTGAGE AND SURVEYING SERVICES LIMITED

COMPANY STATEMENT OF CASH FLOWS for the year ended 31 March

	Notes	2021 £'000	2020 £'000
<b>Net cash used in operating activities</b>			
Operating loss		(3,642)	(28,626)
Investment impairment		-	12,157
Disposal of investment		2,522	-
Decrease/(increase) in receivables	16	4,477	6,412
Increase/(decrease) in payables	19	(1,928)	2,059
		<hr/>	<hr/>
Cash generated from/(used) in operating activities		1,429	(7,998)
<b>Investing activities</b>			
Dividends received		2,020	7,750
Loans to other debtors		(11,997)	(440)
		<hr/>	<hr/>
Net cash (used)/generated in investing activities		(9,977)	7,310
<b>Financing activities</b>			
Interest paid		(278)	(2,875)
Interest received		-	1,496
Borrowings	18	13,318	1,928
Repayment of borrowings	18	(4,777)	(2,750)
Share issue		94	-
		<hr/>	<hr/>
Net cash (used in)/generated from financing activities		8,357	(2,201)
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		(191)	(2,889)
Cash and cash equivalents at the beginning of the year		316	3,205
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	17	125	316

MORTGAGE AND SURVEYING SERVICES LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2020/21

	Share capital	Share premium	Share Warrants	Share based payment reserve	Capital redemption reserve	Revaluation reserve	Merger reserve	Retained deficit	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2019</b>	1,661	7,979	-	151	3,006	993	976	(1,568)	13,198
Loss) for the year to 31 March 2020								(22,970)	(22,970)
Released on revaluation						(993)		993	-
	1,661	7,979	-	151	3,006	-	976	(23,545)	(9,772)
Transactions with owners:									
Share option charge				37				(37)	-
<b>Balance at 1 April 2020</b>	<b>1,661</b>	<b>7,979</b>	<b>-</b>	<b>188</b>	<b>3,006</b>	<b>-</b>	<b>976</b>	<b>(23,582)</b>	<b>(9,772)</b>
Loss for the year to 31 March 2021								(4,238)	(4,238)
	1,661	7,979	-	188	3,006	-	976	(27,820)	(14,010)
Transactions with owners:									
Share options exercised	10	84							94
Share warrants issued			2,739						2,739
Share option charge				28				(28)	-
<b>Balance at 31 March 2021</b>	<b>1,671</b>	<b>8,063</b>	<b>2,739</b>	<b>216</b>	<b>3,006</b>	<b>-</b>	<b>976</b>	<b>(27,848)</b>	<b>(11,177)</b>

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1 Accounting Policies

Mortgage and Surveying Services Limited (the “Company”) is a company incorporated, domiciled and registered in the UK. The registered number is 06055271 and the registered address is 3&4 Regan Way, Chilwell, Nottingham, NG9 6RZ.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

##### **Basis of preparation**

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost accounting rules.

These consolidated financial statements are presented in GBP, which is the Group’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish its individual statement of profit and loss and other comprehensive income and related notes.

##### **Going concern**

The group produced a loss for the year to 31 March 2021 of £0.6m and had net current assets and net liabilities at the end of the year of £3.1m and £9.2m respectively. The group has restructured its operations in the year through the sale of the majority of its loss making property related services.

Accordingly, from 7 December 2020, the Group only includes those entities which are focussed on the provision of mortgage network, panel management and surveying.

The entities that remain within the Group are profitable and cash generative.

While the initial effect of the first coronavirus lockdown was significant, the Group adapted quickly to allow employees to work from home, providing services remotely wherever possible. Following the end of that lockdown period the housing market has bounced back strongly in terms of both price and volume and the business has been able to deliver strong results throughout both the summer and the second national lockdown.

The group is funded by external bank debt and shareholder loan notes as detailed in note 17.

Despite the strong results subsequent to the first lockdown period, the directors took the decision to secure additional bank funding of £9.1m and additional shareholder funding of £3.5m in order to create additional working capital headroom, settle deferred liabilities arising from government and staff support during the initial lockdown and support the re-organisation of the group.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1 Accounting policies (continued)

##### Going Concern - continued

The directors have prepared detailed cash flow and covenant compliance forecasts for the group for the period of at least twelve months from the date of signing these financial statements. Net debt levels, servicing costs, working capital and covenant requirements are closely monitored and managed in accordance with the Group's objectives, policies and processes, and these have each been considered as part of these forecasts.

These forecasts have considered a severe but plausible downside scenario where there is a significant reduction in the volume of transactions across the housing market over the next 12 months, without assuming any reduction in fixed costs.

The directors note that these forecasts were prepared as part of the refinancing in December 2020 and actual results over the last three months of the financial year and subsequently have exceeded the downside scenario. The latest forecasts for the 12 month period after the approval of these accounts show an increased headroom given the Group performance has exceeded the budget prepared as part of the refinancing.

Based on the forecasts prepared; the trading since the year end; the recent Group restructuring; the additional funding raised; and the covenant headroom provided in the updated borrowing terms, the Directors continue to believe that it remains appropriate to prepare these accounts on the going concern basis.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

##### Changes in accounting policies and disclosures

No new or amended standards are currently in issue which will have a material effect on these financial statements.

##### Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 31 March each year. Control is achieved where the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration the existence and effect of potential voting rights that currently are exercisable or convertible.

The results of subsidiaries acquired or disposed of during the year are included in the statement of profit and loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Discontinued operations show the results of those activities which were subject to a firm decision to sell, or otherwise exit, as at the year end.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1 Accounting policies (continued)

##### *Change in subsidiary ownership and loss of control*

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related Non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

##### *Application of the equity method to associates*

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee. At the point a business ceases to be an associate it is derecognised from the balance sheet at fair value with any difference recognised in profit and loss.

##### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. In the event of the acquisition of a business previously recognised as an associate the interest in the associate is derecognised as disclosed above with the fair value included in the consideration transferred. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1 Accounting policies (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

#### Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Revenue, which is net of trade discounts, value added tax and all intra-group transactions, represents:

#### In respect of revenue recognised at a point in time:

##### Continuing operations

- revenue recognised by the Group when a valuation report is complete and has been supplied to the customer, exclusive of value added tax. Cash is received in advance from retail customers, and on normal commercial terms from commercial customers;
- commission on the arrangement of financial services products is recognised when the mortgage completes or the insurance product starts, net of a provision for clawback. Cash is received within normal commercial terms following completion or inception;

##### Discontinued operations

- auction revenue is recognised at point of sale of the auction lot, usually the day of the auction. Cash is received within normal commercial terms.

#### And in respect of revenue recognised over time:

##### Discontinued operations

- property management fees and lettings management commissions are recognised over the month to which they relate on a daily basis, exclusive of value added tax, with any unrecognised amounts at the end of the year included in deferred income. Cash is received in advance at the start of each month;
- commercial and professional fees are recognised based on progress towards completion. Revenue not invoiced at the balance sheet date is recognised as work in progress. Cash is received within 30 days at agreed stages throughout the contract or on completion;
- residential service charge and estates management fees are recognised on a straight line basis over the period they relate to, usually either a month or a quarter. Cash is received at the start of the relevant period.

#### Share based payments

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the statement of profit and loss and other comprehensive income.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1 Accounting policies (continued)

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market-based vesting conditions) at the date of grant.

At the end of each reporting period the assumptions underlying the number of awards expected to vest are adjusted for the effects of non market-based vesting conditions to reflect the conditions prevailing at that date. The impact of any revisions to the original estimates is recognised in the statement of profit and loss and other comprehensive income, with a corresponding adjustment to equity. Fair value is measured by the use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

When share options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

#### Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis.

Where the Group has entered into arrangements which are likely to give rise to a taxation liability, provisions are made for taxation and interest to the extent that it is probably that amounts will be payable and these amounts can be reliably estimated.

#### Exceptional items

Exceptional items consists of significant costs incurred and income received which is outside of the ordinary course of business. They are recognised in line with the associated asset or liability and measured at the economic value expected to be transferred to settle the item, discounted to present value. Any subsequent unwinding of discounts is included within finance costs. Further details of exceptional items are provided in note 9.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1 Accounting policies (continued)

##### Intangible assets

###### *Goodwill*

Goodwill has been recognised on acquisitions of subsidiaries. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share in the net identifiable assets of the acquiree at the date of acquisition and the value of the non-controlling interest in the acquiree. Acquisition costs are written off to the statement of profit and loss and other comprehensive income.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment.

The allocation is made to those cash generating units or groups of units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

###### *Other intangible assets*

Intangible assets other than goodwill that are acquired by the Group, principally acquired brands, customer contracts and relationships, computer software, pipeline and other intangibles are stated at cost less accumulated amortisation, where charged, and impairment losses.

Amortisation is charged to profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful lives are as follows:

Software	4 to 12 years
Customer relationships	12 years
Trade name	12 years
Franchise agreements	25 years

##### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets to their residual values, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold Property	2% straight line
Fixtures, fittings & equipment	25% straight line
Motor Vehicles	25% straight line

Freehold land is not depreciated.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1 Accounting policies (continued)

##### Financial instruments

##### (i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through the profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### (ii) Classification and subsequent measurement

###### *Financial assets*

##### (a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in joint ventures and associates are accounted for using the equity method. Investments in subsidiaries are carried at cost less impairment.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1 Accounting policies (continued)

##### *Subsequent measurement and gains and losses*

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

##### **Financial liabilities and equity**

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

#### (iii) Derivative financial instruments

##### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Notes (continued)

1 Accounting policies (continued)

(iv) Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

*Write-offs*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1 Accounting policies (continued)

##### Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *As a lessee*

The Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1 Accounting policies (continued)

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'creditors' in the statement of financial position.

The application and financial impact of this accounting policy is discussed further in note 20.

##### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets (assets with a value of less than £5,000) and short-term leases (i.e. leases of 12 months or less). The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Assets held under hire purchase agreements are capitalised and disclosed under Property, Plant and Equipment at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the statement of profit and loss and other comprehensive income on a straight line basis over the term of the agreement.

All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

##### **Pension costs**

Contributions to defined contribution schemes are charged to the statement of profit and loss and other comprehensive income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

##### **Government Grants**

The Group has elected to present grants related to income as a reduction to the related expense line.

The group has utilised the Coronavirus Job Retention scheme in the year, the total amount received in the year was £499k (2020: £Nil) and has been offset against staff costs.

##### **Related party transactions**

Related parties constitute those individuals and entities which can influence, or be influenced by, the entity in their decision making. All significant transactions and balances with such an individual or entity are disclosed in note 26.

## MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

### 2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year-end date and the reported amounts of revenues and expenses during the reporting period.

#### Critical accounting judgements

##### *Intangible assets*

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Where appropriate professional valuations are sought.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

##### *Clawback accrual*

A provision for the repayment of commissions is included in the statement of financial position. The estimate of the provisions is by their nature judgmental and the provision for the repayment of commissions is based upon an estimate of the most likely future repayment rate. Whilst every attempt is made to ensure that the provision is as accurate as possible, there remains a risk that the provision does not match the level of commissions which will ultimately be repaid. If the clawback rate was to increase / decrease by 1% the level of provision required would increase / decrease by £120k

##### *Unauthorised cash*

A provision for cash amounts received that are owed to suppliers but cannot be paid out for regulatory reasons is included in the statement of financial position. The estimate of the future amount to be paid out is calculated by management based on historic payment rates using appropriate judgements about the likelihood of payment being made. Changes in supplier behaviour or market conditions could result in a material change to this amount.

##### *Discount rate*

The shares classed as liabilities represents the estimated future dividend obligations discounted to current value, using a rate of 18% which is estimated to be the market rate of interest for a similar, pure, debt instrument. The estimated cash flows which represent those contractual dividend obligations involve subjective judgements of the anticipated future profits. In subsequent periods, the debt will be carried at amortised cost. Due to its perpetual nature, and in order to update the debt for changes in expectations of the future cash flows, the amortised cost will be maintained at the present value of the expected future cash flows discounted by the original effective rate of 18%.

The same market rate of interest has been used in valuing warrants issued in respect of share options during the year.

## MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

### 2 Critical accounting judgements and key sources of estimation uncertainty (continued)

#### Key sources of estimation uncertainty

##### *Business valuation*

The fair value of the warrants included within shares classed as liabilities is dependent upon the expected value of the business at the point of exercise. This valuation has been completed using a methodology which is consistent with those used historically for issues of equity. As with any forecast there is a risk that estimated future values could be incorrect leading to an adjustment to the accounts.

##### *Remediation provision*

Included within creditors in the prior year is a provision for amounts due to customers for remediation in relation to the Estate Management business. Due to the number of schemes managed by this business it is not possible to review every scheme for a potential provision. As such a representative sample of schemes have been reviewed in detail and the result extrapolated across the population. Given this extrapolation there is some uncertainty in relation to the value of the provision raised.

### 3 Analysis of turnover

A description of the principal activities from which the Group generates its revenue in line with IFRS 15 is detailed in the accounting policies for the current year in note 1, Revenue Recognition.

An analysis of turnover by class of business is as follows:

	2021 £'000	2020 £'000
Mortgage Services	48,781	50,630
Surveying	26,905	24,266
	<u>75,686</u>	<u>74,896</u>

All turnover arose within the United Kingdom.

Significant changes in the deferred income balance are as follows:

	Deferred income £'000
Brought forward	1,182
Revenue recognised that was included in deferred income at the beginning of the year	(1,086)
Deferred income removed on disposal	<u>(96)</u>
Carried forward	<u>-</u>

The deferred income was removed on disposal of subsidiaries.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

- 4 Operating profit for the period before exceptionals is stated after charging:

	2021 £'000	2020 £'000
Depreciation of plant and equipment (note 14)	557	762
Amortisation (note 13)	1,901	2,031
Loss on disposals	40	38
Debtor impairment	-	593
Expenses related to short-term leases (note 20)	83	103
Expenses related to low-value assets (note 20)	65	33

- 5 Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the Company's auditor for the audit of the Group annual financial statements	35	28
Fees payable to the Company's auditor and its associates for other services to the Group:		
• The audit of financial statements of the Company's subsidiaries	144	249
• Tax compliance services	20	76
• Other services	-	3

Fees payable to the Company's auditor for non-audit services to the Company itself are not disclosed in the individual financial statements of Mortgage and Surveying Services Limited because the Company's consolidated financial statements are required to disclose such fees on a consolidated basis.

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**Notes (continued)**

**6 Staff costs**

The average number of employees, including executive directors, was:

	<b>2021 Number</b>	<b>2020 Number</b>
Mortgage services	87	86
Surveying services	258	249
Continuing operations	<u>345</u>	<u>335</u>
Property and related services	153	229
Auction services	43	65
Group and administrative functions	31	46
	<u>227</u>	<u>340</u>
	<u>572</u>	<u>675</u>
	<b>£'000</b>	<b>£'000</b>
Staff costs for the above persons were:		
Wages and salaries	20,692	23,810
Social security costs	2,048	2,426
Pension costs	598	767
	<u>23,338</u>	<u>27,003</u>
Less: Discontinued operations	(6,693)	(10,392)
	<u>16,645</u>	<u>16,611</u>

All key management personnel are directors. Directors' remuneration is disclosed in note 7.

**MORTGAGE AND SURVEYING SERVICES LIMITED**

Notes (continued)

**7 Directors' remuneration**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Directors' remuneration comprised:		
Aggregate remuneration	779	709
	<u>779</u>	<u>709</u>

The highest paid director received remuneration of £350k (2020: £399k).

No retirement benefits accrued to directors in either the 2021 or 2020 financial year's under the Group's money purchase pension schemes. No directors exercised share options during the year.

**8 Finance income**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	2	7
Interest from other debtors	473	216
	<u>475</u>	<u>223</u>

**9 Finance Costs**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Finance cost on bank loans and overdrafts	1,151	1,417
Other similar charges payable	2,670	1,749
Decrease/(increase) in shares classed as liabilities	486	(384)
Revaluation of warrants	(1,214)	357
Preference dividend accrued	841	-
Write off of capitalised fees	278	-
	<u>4,212</u>	<u>3,139</u>

The change in shares classed as liabilities relates to the unwinding of the discount on dividends committed to be paid to the holders of the Ordinary A shares from 2021, and changes in the forecast on which the dividend is dependent.

**MORTGAGE AND SURVEYING SERVICES LIMITED**

Notes (continued)

10 Exceptional items	2021 £'000	2020 £'000
Continuing Operations		
Reorganisation costs and advisor fees	(105)	1,781
Refinancing costs	475	101
Provision for legal costs	-	323
Impairment of amounts owed by joint ventures	-	593
	<u>370</u>	<u>2,798</u>
Discontinued Operations		
Group re-organisation costs	235	3,818
Impairment of intangible assets and goodwill	-	11,085
	<u>235</u>	<u>14,903</u>
Exceptional items	<u>605</u>	<u>17,701</u>

During the financial year the group raised finance using the Coronavirus large business interruption loan scheme to help reduce the financial risk caused by coronavirus. This also coincided with the re-organisation discussed below. This process incurred exceptional costs which are broken down above.

During the previous financial year the Group decided to operationally separate certain of its activities to more accurately align itself to their differing market dynamics, management accountabilities and longer term funding needs. This process incurred significant reorganisation costs, including professional advisor fees.

As a part of this planned separation, a review of the Estate Management business highlighted an increased requirement for remediation in respect of historic Estate Management liabilities. A decision to market the Estate Management business for sale was taken prior to the year end with the business subsequently being sold in December 2020.

Following their operational separation it was also considered appropriate to reduce the carrying value of the goodwill with respect to various subsidiary undertakings associated with Property Management activities (as highlighted in note 25, these undertakings were sold after the balance sheet date).

An impairment has also been recorded in respect of the loan to Wise Living Homes Limited as a result of losses incurred by that company. The loan has been reduced in proportion to Mortgage and Surveying Services share of the net liabilities of that entity.

**MORTGAGE AND SURVEYING SERVICES LIMITED**

Notes (continued)

**11 Taxation**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
In respect of the current year	339	(24)
Adjustment in respect of prior years	(49)	(161)
	<u>290</u>	<u>(185)</u>
<b>Deferred tax</b>		
In respect of the current year		
Origination and reversal of timing differences	411	(917)
Change in tax rate	-	23
Adjustments in respect of prior years	15	231
	<u>426</u>	<u>(663)</u>
<b>Total tax charge / (credit) for the year</b>	<u><u>716</u></u>	<u><u>(848)</u></u>
<b>Split as:</b>		
Continuing operations	1,316	(758)
Discontinued operations	<u>(600)</u>	<u>1,606</u>

The difference between the total tax expense/(income) shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit/(loss) before taxation</b>		
Continuing operations	1,856	(1,238)
Discontinued operations	(1,711)	(17,202)
	<u>145</u>	<u>(18,440)</u>
<b>Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 19% (2020: 19%)</b>	28	(3,504)
<b>Effects of:</b>		
Non-taxable income	(10)	(23)
Expenses not allowable for taxation	479	3,182
Adjustment in respect of prior years - deferred tax	15	231
Tax losses not previously recognised	-	(623)
Rate differences	-	104
Adjustment in respect of prior years - current tax	(49)	(161)
Deferred tax not recognised	274	(97)
Profits not eligible to UK tax	-	(39)
Other	(21)	82
<b>Total tax (income)/expense for the year</b>	<u><u>716</u></u>	<u><u>(848)</u></u>

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 11 Taxation (continued)

##### Factors that may affect future tax charges

UK corporation rate of 25% (effective 1 April 2023) was announced on 5 March 2021 and substantively enacted on 10 June 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset/(liability) at 31 March 2021 has been calculated at 19% (2020: 19%).

There are tax losses of £Nil (2020: £3.7m) which have not been recognised at 31 March 2021.

#### 12 Goodwill

	2021 £'000	2020 £'000
<b>Cost and net book amount</b>		
Balance at beginning of year	23,629	33,657
Disposals	(3,185)	-
Impairment recognised	-	(10,028)
	<hr/>	<hr/>
Balance at end of year	20,444	23,629

Goodwill by operating segment is split as follows:

	2021 £'000	2020 £'000
Mortgage Services	9,565	9,565
Surveying	10,879	10,879
Auctions	-	3,185
	<hr/>	<hr/>
	20,444	23,629

During the year the Auctions companies were disposed of and so the associated goodwill has also been removed.

##### Prior year

As highlighted in Note 25, as a consequence of the decision to operationally separate certain of the Group's activities, the carrying value of Goodwill in relation to certain Property Management subsidiary undertakings was reviewed and impaired.

The carrying value is based on the recoverable amount, being the higher of the book value and the value in use. Value in use for the Auctions CGU was calculated using three year forecasts with an annuity value discounted at the estimated cost of capital of 18% as this entity is profitable.

In respect of the Property Management CGU where there's evidence of a potential sale value the anticipated proceeds have been treated as the recoverable amount. Otherwise the value of the goodwill has been impaired to nil.

Included in the impairment of £10,028k is £3,880k that related to assets held for sale, that have been disposed of in the current year.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

13 Intangible assets - Group

	Franchise Agreements £'000	Software £'000	Customer relationships £'000	Trade name £'000	Total £'000
<b>Cost</b>					
At 1 April 2019	806	5,875	19,622	100	26,403
Additions	-	832	-	-	832
Reclassification	-	25	-	-	25
Impairment	-	(45)	-	-	(45)
At 1 April 2020	806	6,687	19,622	100	27,215
Additions	-	374	-	-	374
Disposals	(806)	(3,027)	(3,688)	-	(7,521)
At 31 March 2021	-	4,034	15,934	100	20,068
<b>Amortisation</b>					
At 1 April 2019	419	2,075	3,654	21	6,169
Charge for the period	46	842	1,635	8	2,531
Reclassification	-	10	-	-	10
Impairment	-	-	1,058	-	1,058
At 1 April 2020	465	2,927	6,347	29	9,768
Charge for the period	46	879	1,533	8	2,466
Disposals	(511)	(1,332)	(2,594)	-	(4,437)
At 31 March 2021	-	2,474	5,286	37	7,797
<b>Net book value</b>					
At 31 March 2021	-	1,560	10,648	63	12,271
At 31 March 2020	341	3,760	13,275	71	17,447

Contained within the net book value at the 2020 year end of £17,447k was £2,061k classified as held for sale, giving the balance sheet value of £15,386k. Included in the amortisation charge is £1,901k (2020: £2,031k) relating to continuing operations and £566k (2020: £500k) relating to discontinued operations.

In the prior year, as part of the annual impairment exercise (see note 12), it was identified that an impairment was required in relation to Property Management activities. Accordingly, a portion of the intangible assets in relation to these activities were impaired to reduce the carrying value of the relevant net assets to the anticipated recoverable amount.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

14 Property, plant and equipment

	Leasehold Improvements	Fixtures, Fittings & Equipment	Right-of- Use Assets	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2019	20	1,519	-	1,539
On adoption of IFRS 16	-	-	3,501	3,501
Additions	-	277	428	705
Disposals	(12)	(381)	(470)	(863)
At 1 April 2020	8	1,415	3,459	4,882
Additions	-	80	734	814
Disposals	(8)	(892)	(1,515)	(2,415)
At 31 March 2021	-	603	2,678	3,281
<b>Depreciation</b>				
At 1 April 2019	9	793	-	802
Charge for the period	1	294	722	1,017
Disposals	(6)	(303)	(32)	(341)
At 1 April 2020	4	784	690	1,478
Charge for the period	1	298	452	751
Disposals	(5)	(593)	(314)	(912)
At 31 March 2021	-	489	828	1,317
<b>Net book value</b>				
At 31 March 2021	-	114	1,850	1,964
At 31 March 2020	4	631	2,769	3,404

The property, plant and equipment are held as security over the loan with Clydesdale Bank Plc and Natwest Plc. Further detail is provided in note 18. Owing to their immaterial value Motor Vehicles have been included within Fixtures, Fittings & Equipment.

Contained within the net book value in the prior year of £3,404k was £320k classified as held for sale giving the balance sheet value of £3,084k. Included in the depreciation charge is £557k (2020: £762k) relating to continuing operations and £194k (2020: £255k) relating to discontinued operations.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

15 Investments

*Associates and joint ventures*

	£'000
<b>Share of net assets of associates and joint ventures</b>	
At 1 April 2019	522
Share of associates' profit	99
At 31 March 2020	<u>621</u>
Share of associates' profit	105
Disposal of joint venture	14
At 31 March 2021	<u><u>740</u></u>

Company	Associates and Joint Ventures	Subsidiaries	Total
	£'000	£'000	£'000
<b>Cost and net book amount</b>			
At 1 April 2019	490	49,183	49,673
Impairment	-	(13,149)	(13,149)
At 31 March 2020	<u>490</u>	<u>36,034</u>	<u>36,524</u>
Disposal	-	(3,222)	(3,222)
At 31 March 2021	<u><u>490</u></u>	<u><u>32,812</u></u>	<u><u>33,302</u></u>

The investment at 1 April 2019 represents the entire ordinary share capital of those companies listed in the table below.

Those companies listed under Property Management Services in the table below were disposed of on 7 December 2021.

As part of the prior year's annual impairment review detailed in notes 10 and 12, investments in certain Property Management subsidiaries were reduced to match their anticipated recoverable amount.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 15 Investments (continued)

Details of the Group's subsidiaries, which are all included in the consolidated financial statements of the Group, are as follows:

Name of company	Principal place of business and country of incorporation	Nature of business	% voting rights and shares held
<i>Mortgage Network, Panel Management and Surveying Activities</i>			
SDL Surveying Limited	UK	Panel management and Surveying	100% of ordinary shares
JV Limited	UK	Dormant	100% of ordinary shares
Stonebridge Mortgage Solutions Limited	UK	Mortgage network	100% of ordinary shares
Stonebridge Genus Limited	UK	Mortgage Network	100% of ordinary shares
Revolution Company (Essex) Limited	UK	Software Development	100% of ordinary shares
Moneyquest Mortgage Brokers Limited	UK	Mortgage Brokers	100% of ordinary shares
<i>Property Management Services**</i>			
SDL Lettings Management Limited	UK	Lettings management	0% (2020: 100% of ordinary shares)
Direct Lettings GP Limited	UK	Lettings management consultancy	0% (2020: 100% of ordinary shares)
Central Lettings UK PRS GP Limited	UK	Lettings management consultancy	0% (2020: 100% of ordinary shares)
Maurice Macneill Iona Limited	UK	Franchisor of estate agencies	0% (2020: 100% of ordinary shares)
CP Bigwood Management LLP	UK	Estate management services	0% (2020: 100% of ordinary shares)
SDL Auctions Limited	UK	Property auctions	0% (2020: 100% of ordinary shares)
SDL Estate Management Limited	UK	Estate management services	0% (2020: 100% of ordinary shares)
SDL Group Services Limited	UK	Group shared services centre	0% (2020: 100% of ordinary shares)

\*\*These entities were sold on 7 December 2020

## MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

### 15 Investments (continued)

All of these subsidiaries have their registered office at 3&4 Regan Way, Chilwell, Nottingham, NG9 6RZ apart from; Stonebridge Mortgage Solutions Limited, Stonebridge Genus Limited and Revolution Company (Essex) Limited, which are registered at 9 Lords Court, Basildon, SS13 1SS.

#### *Associates*

The Group's material associate, Sesame Bankhall Valuation Services Limited ("SBVS"), is a panel management company based in Nottingham. It is a significant customer of, as well as sharing resources with, the Group's own panel management and surveying business.

Name of company	Principal place of business and country of incorporation	Nature of business	% voting rights and shares held
Sesame Bankhall Valuation Services Limited	UK	Panel management	25% of ordinary shares

Summarised financial information in respect of this associate is set out below.

#### **Sesame Bankhall Valuation Services Limited**

	2021 £'000	2020 £'000
Current assets	4,528	4,415
Current liabilities	(3,741)	(3,469)
Net assets of associate at 31 March	<u>787</u>	<u>946</u>
Revenue	18,780	22,591
Profit/(Loss) for the year	(159)	(109)
Dividends received from the associate during the year	-	-
Profit/(Loss) attributable to parent company	(40)	(27)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Sesame Bankhall Valuation Services Limited recognised in the consolidated financial statements:

	2021 £'000	2020 £'000
Net assets of the associate	787	946
Proportion of the Group's ownership interest in Sesame Bankhall Valuation Services Limited	25%	25%
Carrying amount of the Group's interest in Sesame Bankhall Valuation Services Limited	197	237

## MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

### 15 Investments (continued)

Details of the Group's other associates are shown below:

<b>Name of company</b>	<b>Registered address</b>	<b>Nature of business</b>	<b>% voting rights and ordinary shares held</b>
Pure Financial Advisory Limited	UK	Holding company	49%
Pure Protect Limited	UK	Insurance broker	49%
Stonebridge Protect Limited	UK	Insurance broker	49%

All of these companies have their registered office at 3&4 Regan Way, Chilwell, Nottingham, NG9 6RZ.

The total profits of these immaterial associates was £291k, of which £143k (2020: £126k) that was attributable to the parent company has been recognised in the statement of profit and loss and other comprehensive income. The carrying amount of the Group's interest in respect of these associates was £543k (2020: £381k).

An investment in a joint venture, Wise Living Homes Limited (of which the group owned 17%) was disposed of on 7 December 2020. This JV was accounted for using the equity method. The carrying amount of the Groups interest in Wise Living Homes Limited is £Nil (2020:(£14k)).

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

16 Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Receivables &lt; 1 year</b>				
Trade receivables	2,924	2,253	-	-
Amounts owed by group undertakings	-	-	-	4,693
Prepayments	2,989	3,760	-	51
Other receivables	751	639	-	-
Other tax and social security	-	-	43	17
Corporation tax	92	83	-	-
	<u>6,756</u>	<u>6,735</u>	<u>43</u>	<u>4,761</u>
<b>Receivables &gt; 1 year</b>				
Amounts owed by other debtors	14,448	-	15,048	-
Other receivables	3,562	1,761	-	-
Amounts owed by joint ventures	-	2,575	-	2,575
	<u>18,010</u>	<u>4,336</u>	<u>15,048</u>	<u>2,575</u>

Trade receivables are non-interest bearing and generally have a 30 - 90 day term. Due to their short maturities, the carrying amount of trade and other receivables is a reasonable approximation of their fair value.

Trade receivables are provided against based on lifetime expected credit losses in line with historic loss rates for debts of the same age. The Group considers factors such as default or delinquency in payment, significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy in deciding whether the trade receivable is impaired.

Other receivables >1year includes £3,562k (2020: £1,761k) recoverable from mortgage advisors in relation to potential clawback for policy lapses (see note 19 for details).

Amounts owed by other debtors accrue interest at rates between 7.5% - 9.6% and are repayable on 30 April 2025

Provision for impairment of trade receivables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
As at 1 April	796	668	-	-
Charge for the period	30	128	-	-
Eliminated on disposal	(783)	-	-	-
As at 31 March	<u>43</u>	<u>796</u>	<u>-</u>	<u>-</u>

As at 31 March 2021 trade receivables of £16k (2020: £519k) were past their due date but not impaired. The ageing analysis of trade receivables that are past due but not impaired is as follows:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Up to 3 months past due	-	472	-	-
3 to 6 months past due	7	47	-	-
6 to 12 months past due	9	-	-	-

**MORTGAGE AND SURVEYING SERVICES LIMITED**

Notes (continued)

**17 Cash and cash equivalents**

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash at bank and in hand	8,511	3,449	125	316
Assets held for sale	-	181	-	-
<b>Total</b>	<b>8,511</b>	<b>3,630</b>	<b>125</b>	<b>316</b>

The directors consider that the carrying amount of these assets is a reasonable approximation of their fair value. The credit risk on liquid funds is limited because the counter-party is a bank with a high credit rating.

**18 Financial Liabilities**

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
<b>Borrowings</b>				
Current	3,750	4,777	3,750	4,777
Non-current	44,809	36,229	44,809	36,229
	<b>48,559</b>	<b>41,006</b>	<b>48,559</b>	<b>41,006</b>

Borrowings of £48,559k (2020: £41,006k) consists of gross liabilities of £51,572k (2020: £43,029k) less associated warrants and capitalised borrowing costs of £3,013k (2020: £2,023k).

Gross borrowings include £29,707k (2020: £25,254k) of bank loans; £19,563k (2020: £16,685k) due to the Business Growth Fund ("BGF"); and £2,302k (2020: £1,090k) of other loans.

Bank Loans comprise four facilities due to a combination of Clydesdale Bank plc and National Westminster Bank plc. Facility A (£8,438k) repayable by quarterly instalments with a final repayment on 30 June 2023; Facility B (£7,129k) repayable on 13 September 2023; a Rolling Credit Facility (£5,000k) repayable on 13 September 2023 and the CLIBLS Facility (£9,140k) repayable on 13 September 2023. Interest on all bank loans is paid at varying rates (2.01% - 3.75%) above Bank of England 3 month LIBOR.

Amounts due to BGF include a variety of fixed rate, unsecured loan instruments. Tranche A (£5,000k) is repayable in bi-annual instalments from 30 September 2021 with a final repayment on 31 March 2024, all other tranches (£14,563k) fall due for repayment on 18 June 2024. Interest is charged at 12% across all tranches.

Other loans include a variety of fixed rate, unsecured loan note instruments repayable on 31 March 2025. £2,347k (2020: £1,090k) of these loans attract interest at 12% (2020: 8%).

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 18 Financial Liabilities (continued)

Shares classed as liabilities	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current	-	408	-	408
Non-current	6,320	5,426	6,320	5,426
	<u>6,320</u>	<u>5,834</u>	<u>6,320</u>	<u>5,834</u>

Shares classed as liabilities are the debt element of the ordinary A shares as a result of the holders being entitled to a cumulative preferential net cash dividend in respect of each financial year from and including the financial year commencing or current on 31 March 2021.

The liability recognised in the financial statements represents the estimated future dividend obligations discounted to current value, using a rate of 18% which is estimated to be the market rate of a similar debt instrument. The estimated cash flows which represent those contractual dividend obligations involve subjective judgements of the anticipated future profits. In subsequent periods, the debt will be carried at amortised cost. Due to its perpetual nature, and in order to update the debt for changes in expectations of the future cash flows, the amortised cost will be maintained at the present value of the expected future cash flows discounted by the original effective rate of 18%.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

19 Trade and other payables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Amounts due in &lt; 1 year</b>				
Trade payables	1,862	2,419	61	59
Other tax and social security	1,092	2,037	-	-
Accruals and deferred income	2,225	4,126	68	2,342
Other payables	2,620	3,685	176	201
Deferred tax (note 21)	73	152	-	-
Lease and hire purchase liabilities	512	634	-	-
	<u>8,384</u>	<u>13,053</u>	<u>305</u>	<u>2,602</u>
<b>Amounts due in &gt; 1 year</b>				
Other liabilities	6,373	1,808	-	-
Warrants outstanding	-	2,243	-	2,243
Accruals and deferred income	4,471	-	4,471	-
Intercompany payables	-	-	40	2,263
Lease and hire purchase liabilities	1,249	1,937	-	-
	<u>12,093</u>	<u>5,988</u>	<u>4,511</u>	<u>4,506</u>

Trade payables comprise amounts outstanding for trade purchases and on-going costs.

The directors consider the carrying amount of trade and other payables is a reasonable approximation of their fair value.

Hire purchase agreements are secured against the asset to which they relate.

Other liabilities include amounts provided in respect of the estimated cost to the Group of settling claims against previous property valuations undertaken by the Group and a provision for repayment of indemnity commission. Provision is made for repayment of commission to the product provider in the event that a policy may lapse before its expiration date. Given the nature of these policies it is uncertain what the number and monetary value will be of any such lapses.

Movement in the provision is shown below:

	Debtor £'000s	Creditor £'000s	Net £'000s
At 1 April 2020	1,761	2,191	430
Movement in the year	<u>1,801</u>	<u>2,627</u>	<u>826</u>
At 31 March 2021	<u>3,562</u>	<u>4,818</u>	<u>1,256</u>

An asset held for the amount recoverable from advisors for any liability caused by the above is included within other debtors as shown in the table above.

In the prior year share warrants represented the fair value of a variable number of share warrants outstanding to certain shareholders. As a result of the refinancing these were replaced with a fixed number of share warrants which now constitute equity.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

**20 Leasing agreements**

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as tangible assets (see note 14):

	Land and buildings £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Balance at 31 March 2020	2,333	331	105	2,769
Additions to right-of-use assets	63	609	62	734
Depreciation charge for the year	(207)	(219)	(26)	(452)
Derecognition of right-of-use assets	(1,044)	(157)	-	(1,201)
Balance at 31 March 2021	<b>1,145</b>	<b>564</b>	<b>141</b>	<b>1,850</b>

*Amounts recognised in profit or loss*

The following amounts have been recognised in profit or loss for which the Group is a lessee:

<b>2021</b>	<b>£'000</b>
Interest expense on lease liabilities	80
Expenses relating to short-term leases	83
Expenses relating to leases of low-value assets accounted, excluding short-term leases of low-value assets	65
<b>2020</b>	<b>£'000</b>
Interest expense on lease liabilities	75
Expenses relating to short-term leases	72
Expenses relating to leases of low-value assets accounted, excluding short-term leases of low-value assets	33

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

21 Deferred Tax

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
At 1 April	(2,320)	(2,998)	-	-
Charged to the statement of profit and loss and other comprehensive income	(426)	678	-	-
Eliminated on disposal	113	-	-	-
	<u>(2,633)</u>	<u>(2,320)</u>	<u>-</u>	<u>-</u>
At 31 March	<u>(2,633)</u>	<u>(2,320)</u>	<u>-</u>	<u>-</u>
Split as:				
Deferred tax liabilities less than one year	(73)	(152)	-	-
Deferred tax liabilities more than one year	(2,560)	(2,045)	-	-
Liabilities associated with assets held for sale	-	(123)	-	-
	<u>-</u>	<u>(123)</u>	<u>-</u>	<u>-</u>

A deferred tax asset of £1,303k (2020: £1,433k) was not recognised during the year.

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Accelerated capital allowances	(228)	(328)	-	-
Tax losses recognised	-	610	-	-
Intangible assets	(2,405)	(2,602)	-	-
	<u>(2,633)</u>	<u>(2,320)</u>	<u>-</u>	<u>-</u>
At 31 March	<u>(2,633)</u>	<u>(2,320)</u>	<u>-</u>	<u>-</u>

22 Called up share capital

	2021	2020
	'000	'000
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	1,105	1,095
A ordinary shares of £1 each	529	529
B ordinary shares of £1 each	37	37
	<u>1,671</u>	<u>1,661</u>
Shares classed as liabilities: A ordinary shares of £1 each	<u>6,320</u>	<u>5,834</u>

During the current year the Company issued 9,837 Ordinary shares of £1 each for £94k.

The Ordinary and A ordinary shares entitle each holder for one vote for each share held, save that the A ordinary shares carry enhanced voting rights equal to 51% or 49.9% of the votes in the event of and subject to various provisions applying.

The shares rank equally and pro-rata in respect of any dividends declared. The A ordinary shares also carry a right to a long term dividend in respect of each financial year from and including the financial year commencing or current on 31 March 2021 each to the higher of 9.3% of net profits and 10% of the amount credited as paid up on the A ordinary shares.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 22 Called up share capital (continued)

The A ordinary shares rank first as between the Ordinary and A ordinary shares. None of the shares carry a right to be redeemed.

During the current financial year the Company purchased and cancelled a further 280 G shares meaning that at the end of the year, there were 200 (2020: 480) G Shares and 530 (2020: 530) H Shares in issue. The G and H shares carry no voting rights.

During the current financial year the Company repurchased and cancelled 250 J shares, meaning that at the year end 250 (2020: 500) J shares were outstanding. The J shares carry no voting rights.

#### 23 Share based payments

In the year ended 31 March 2016 37,944 HMRC approved EMI options were issued to six employees. During the current financial year a number of options were exercised and cancelled which is broken down below.

	Number of share options	Weighted average exercise price
Outstanding as at 31 March 2020	37,944	£3.21
Share options exercised in the year	(9,837)	-
Share options cancelled	(21,081)	-
Outstanding as at 31 March 2021	7,026	£1

The options outstanding as at 31 March 2021 had a weighted average remaining contractual life of 5 years.

The options and warrants outstanding as at 31 March 2021 had exercise prices of £1.00.

The vesting rights are determined by the rules of the Shepherd Direct Limited EMI Share Option Scheme 2015 and comprise exercise rights on sale exit, on listing exit or on refinancing exit under the conditions specified in the scheme.

The fair value of the awards was determined using the following information:

Black-Scholes pricing model	
Expected dividend yield	0%
Risk-free interest rate	3%
Volatility	1%

The total expenses recognised for the year arising from share-based payments are as follows:

	2021 £'000	2020 £'000
Equity settled share based payment expense	28	37

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 24 Reserves

Details of the movements in reserves are set out in the Statement of Changes in Equity. A description of each reserve is set out below.

##### **Share premium**

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium.

##### **Share warrant**

This reserve relates to share warrants issued during the year.

##### **Share based payment reserve**

The shares to be issued account records shares issued under share based payment awards to employees.

##### **Capital redemption reserve**

The capital redemption reserve records the amounts redeemed in respect of preference shares.

##### **Merger reserve**

The merger reserve records the excess of consideration over the net book value of assets acquired in business combination settled via share for share exchange.

##### **Retained deficit**

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

## MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

### 25 Discontinued operations and Assets Held for Sale

During the financial year the company disposed of the Property Management Services group of businesses in its entirety. As a result the business is presented as a discontinued operation up to the point of disposal in these accounts. The comparative consolidated statement of profit and loss has been restated to reflect this change.

	2021	2020
	£'000	£'000
Revenue	9,392	15,214
Other external charges	(5,093)	(9,257)
Staff costs	(6,693)	(10,392)
Depreciation and amortisation	(760)	(1,577)
Intangible impairment	-	(11,085)
Other operating charges	(65)	(69)
Operating loss	<u>(3,219)</u>	<u>(17,166)</u>
Finance costs	-	(37)
Loss before taxation	<u>(3,219)</u>	<u>(17,203)</u>
Taxation	600	1,606
Loss for the year	<u>(2,619)</u>	<u>(15,597)</u>
Profit / (loss) on disposal	1,508	-
Related tax expense	<u>-</u>	<u>-</u>
	<u>(1,111)</u>	<u>(15,597)</u>

## MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

### 25 Discontinued operations and Assets Held for Sale (cont.)

During the prior year assets held for sale and liabilities associated with assets held for sale were made up as follows:

	2020 £'000
<b>Assets held for sale</b>	
Intangible assets	2,061
Tangible assets	320
Trade and other receivables	1,327
Cash and cash equivalents	181
	<hr/> 3,889 <hr/>
<b>Liabilities associated with assets held for sale</b>	
Trade and other payables	<hr/> 4,685 <hr/>

### 26 Related party transactions

The Group has taken advantage of the exemption not to disclose details of transactions and balances with wholly owned subsidiaries.

Included within borrowings are amounts due to P R Gratton of £489,269 (2020: £400,000), to E Gratton of £591,769 (2020: £500,000) and to JBloomer of £10,333 (2020: £nil). These carried forward balances were the maximum outstanding during the year and carry rates of interest up to 12% (2020: 8%).

P R Gratton, E Gratton and J Bloomer are both directors and shareholders in the Company. J Bloomer resigned from directorship on 4 December 2020.

Included within other creditors is a loan due to P Staley of £25,833 (2020: £89,991). This brought forward balance was the maximum outstanding during the year and from 5th February 2018 carries 4% interest. P Staley is a director of SDL Lettings Limited, a subsidiary company which was disposed of at the end of the year.

Included within borrowings are amounts owed to BGF, a shareholder in the Company. Details of these borrowings are included in note 18.

During the year the Group invoiced management charges and other recharges of £11,285,214 (2020: £10,268,806) to Sesame Bankhall Valuation Services Limited, a company in which SDL Surveying Limited has an investment and in which G Brewster is a director. At the year end the Group was owed £1,417,637 (2020: £1,036,115) by Sesame Bankhall Valuation Services Limited in respect of these management charges.

The J & E Shepherd partnership is related to the Group as it has partners who have an interest in J & E Nominees Limited, a major shareholder in Mortgage and Surveying Services Limited. During the year the Group invoiced management charges and other recharges of £29,051 (2020: £42,000) to J & E Shepherd partnership, the Group purchased services totalling £367,565 (2020: £563,632) from the J & E Shepherd partnership and the group borrowed £986,774 (2020: £nil) from the J & E Shepherd partnership. At the year-end £990,685 (2020: £84,679) was owed to the J & E Shepherd partnership. In the current year SDL Surveying Limited has paid £120,000 (2020: £120,000) to J&E Nominees Ltd for the lease on 3&4 and 17 Regan Way. All transactions with J & E Shepherd were at market value.

## MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

### 26 Related party transactions (continued)

During the year Stonebridge Mortgage Solutions Limited paid rent of £36,000 (2020: £36,000) to Adams Property Investment Ltd. R Adams was a director of both companies during the financial year

### 27 Financial instruments - Group

The Group's financial instruments comprise cash and cash equivalents, borrowings and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk and interest rate risk. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

#### *Credit risk*

The Group's credit risk is primarily attributable to its trade receivables. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Expected credit losses are calculated based on historic loss rates for that category of debt, combined with an assessment of when debts are old enough that they are no longer likely to be collected, and adjusted for any material changes in circumstances during the period being used as a basis or based on risk analysis or credit ratings where available.

The carrying amount of financial assets represents the maximum credit exposure.

#### *Liquidity risk*

The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

**MORTGAGE AND SURVEYING SERVICES LIMITED**

Notes (continued)

**27 Financial instruments - Group (continued)**

The following table shows the contractual maturities of the Group's financial liabilities (none of which are derivative financial liabilities), all of which are measured at amortised cost:

	Trade payables £'000	Long term borrowings £'000	Total £'000
<b>At 31 March 2021</b>			
6 months or less	1,862	1,875	3,737
6 - 12 months	-	1,875	1,875
1 - 2 years	-	3,750	3,750
2 - 5 years	-	44,072	44,072
	<u>1,862</u>	<u>51,572</u>	<u>53,434</u>
<b>Total contractual cash flows</b>			
	<u>1,862</u>	<u>51,572</u>	<u>53,434</u>
<b>Carrying amount of financial liabilities measured at amortised cost</b>	1,862	48,559	50,421
	Trade payables £'000	Long term borrowings £'000	Total £'000
<b>At 31 March 2020</b>			
6 months or less	2,654	2,903	5,557
6 - 12 months	-	1,875	1,875
1 - 2 years	-	3,750	3,750
2 - 5 years	-	26,501	26,501
More than 5 years	-	8,000	8,000
	<u>2,654</u>	<u>43,029</u>	<u>45,683</u>
<b>Total contractual cash flows At 31 March 2020</b>			
6 months or less	2,654	41,006	43,660
	<u>2,654</u>	<u>41,006</u>	<u>43,660</u>

The Company's financial liabilities, which are all non-derivatives, comprise trade payables and amounts owed to group undertakings which are recorded at amortised cost. The carrying amount of these liabilities is equal to the gross contractual cash flows, all of which are payable within 6 months.

The Company's exposure to equity price risk is the same as the Group's exposure, as disclosed above.

## MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

### 28 Capital risk management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern.
- To ensure that capital is maintained at all times to ensure that financial resource requirements set by the Financial Conduct Authority are exceeded at all times.

The Group defines capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's long term debt commitments and adjusts the ratio of debt to capital as is determined to be necessary, by issuing new shares, reducing or increasing debt, paying dividends and returning capital to shareholders.

### 29 Controlling party

In the opinion of the directors of Mortgage and Property Services Limited there is no ultimate controlling party.