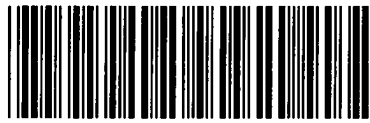


**Mortgage and Surveying Services Limited**

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

**31 March 2022**

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## MORTGAGE AND SURVEYING SERVICES LIMITED

<b>CONTENTS</b>	<b>PAGES</b>
Directors and advisers	1
Group strategic report	2
Directors' report	9
Statement of Directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	16
Independent auditor's report to the members of Mortgage and Surveying Services Limited	17
Consolidated statement of profit or loss and other comprehensive income	21
Consolidated balance sheet	22
Consolidated statement of changes in equity	23
Consolidated statement of cash flows	24
Company balance sheet	25
Company statement of cash flows	26
Company statement of changes in equity	27
Notes to the financial statements	28

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**DIRECTORS AND ADVISERS**

**Directors**

CA Wall (Chair)  
GP Brewster  
RM Clifford  
IJ Fergusson  
EA Gratton  
PR Gratton  
CC Hickling  
JA Hickling  
SP Jackson  
M Singh

**Secretary**

SK Tuck

**Registered number**

06055271 (England & Wales)

**Registered office**

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

**Auditor**

BDO LLP  
Two Snowhill  
Birmingham  
B4 6GA

## MORTGAGE AND SURVEYING SERVICES LIMITED

### GROUP STRATEGIC REPORT

The directors present the Group Strategic Report for Mortgage and Surveying Services Limited (“MSS”) and its subsidiary undertakings for the year ended 31 March 2022.

#### *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, it 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 further 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 during the first part of the financial year, MSS continued to make positive progress in both of its activities - gaining market share, building on existing lender relationships, and increasing numbers of both in-house surveyors, Appointed Representatives (independent firms, and individuals, who are authorised through our mortgage network) and Directly Authorised mortgage brokers. MSS has also benefited from positive property market dynamics in relation to the number of housing transactions and rising house price inflation; much of which was stimulated by government initiatives and a post pandemic “race for space”.

Over the past 2 years, the business has demonstrated significant operational resilience and capitalised on the opportunity to prove and launch some exciting developments within our surveying product portfolio. In particular, its desktop and new build propositions have enabled MSS to strengthen lender relationships and grow market share through contractual renewals, which include the award of additional volume allocations

In our mortgages business we continue to accelerate our appointment of additional mortgage advisers in our Appointed Representative (“AR”) network which, over the course of the year, have increased by 20.8%. Additionally, we have increased the Directly Authorised (“DA”) brokers using our services by 73.7%. We are delighted to welcome all new mortgage advisers and, having demonstrated the attractiveness of our proposition for both AR and DA firms, look forward to welcoming many more during our next financial year.

Additionally, since the year end we have further committed to the growth of our mortgage business via a strategic investment in 49% of the share capital of Connect IFA Limited (“Connect”). Connect is a mortgage network of over 280 advisers with a focus on specialist lending, complementing the Stonebridge network’s mainstream lending expertise. We will be working closely with the Connect management team to maximise the synergies which this highly complementary business will offer.

Post year end in the first half of 2022/23 financial year we have continued to show positive progress and growth. Although the political and economic turmoil witnessed during September and October 2022 have resulted in some market wide challenges, the Board believes them to be relatively short term in nature as explained further in the market review. Having invested in operational capacity, delivery platforms and supporting technology, MSS will continue to retain its focus on service delivery, enabling it to build market share, presence and reputation within the UK residential property market.

In December 2022 the Group agreed with bank and shareholder lenders to extend all bullet debt repayments into 2024, providing confidence that the Group can continue to operate as planned.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### GROUP STRATEGIC REPORT (CONTINUED)

#### Market Review

For the UK housing market, the long-term trend has been for an average of 1.2 million transactions pa. Over recent years this trend has been distorted by the COVID pandemic and its impact in the form of a subsequent “race for space” and temporary stamp duty holiday, introduced to support housing transactions. Consequently, there were c1.48 million property transactions in 2021 which was clearly above the long-term trend and partly a counterbalance to the c1.05 million experienced during a lockdown impacted 2020.

Following the withdrawal of the stamp duty holiday (in September 2021), the market continued to show an exceptionally high degree of resilience with the first half of 2022 delivering a further 784k transactions. However, the second half of 2022 has faced several headwinds in the form of an energy price crisis (created by the invasion of Ukraine) and general cost of living pressures. Base rates have increased rapidly to combat inflationary threats, and political changes saw the UK swing from expansionary to recessionary economic policies over a period of weeks. This has resulted in escalating mortgage rates and an uncertainty which is curtailing housing transactions. Despite its strong start, the expectation is that 2022 will end up just at short of 1.2 million transactions.

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. However, economic and recessionary pressures prevail and interest rates are likely to remain higher than they have been for a number of years (albeit the market sentiment is that they have already peaked and are likely to fall over the next 12-18 months). Against this backdrop, the Board expects housing transactions to be lower than the long term trend of 1.2m transactions for the next 2 years but would be disappointed if they fell to the sub 1.0 million levels experienced following the global financial crisis. Towards the end of 2025, the expectation is for a return to the natural long term average of 1.2 million transactions pa.

Double digit House Price Inflation (“HPI”) has also been a feature of the past 2 years. This has been in excess of previous trends but, in the context of the challenges noted above, the next 18-24 months are likely to see a natural correction via a house price fall. The Board don’t believe this will be a crash but we may see much of the gains of the past 2 years being reversed.

It is important not to forget that whilst there may be short term fluctuations in property transactions, remortgage activity has historically represented almost 50% of total mortgage lending. The rapidly changing interest rate environment is a natural stimulant to this activity and, subject to appropriate products remaining available, both mortgage and surveying business can both benefit from an increase in remortgage volumes. Furthermore, MSSs’ mortgage network and DA proposition supports an intermediary market which is increasing its share of all mortgage transactions (at around 80% of all mortgage lending), with no evidence of lenders seeking to reduce reliance on this distribution channel.

MSS continually manages its operational infrastructure against anticipated volumes. Regardless of any short term market contraction MSS carries the benefit of having a continually growing market share (in terms of adviser numbers and surveying allocations), enabling it to maintain activity levels.

## **MORTGAGE AND SURVEYING SERVICES LIMITED**

### **GROUP STRATEGIC REPORT (CONTINUED)**

**Mortgage Network (Turnover: FY22 £67.7 million (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 £11bn of mortgage lending pa. and it was named Best Network at the Financial Reporter Awards in both 2020 and 2021; MoneyFacts' Awards 2021 Mortgage Network of the Year; and Mortgage Introducer Network of the Year 2022. As well as Stonebridge's network for Appointed Representatives and proposition for Directly Authorised advisers, MSS also has its own Direct to Consumer Brokerage (MoneyQuest) and a stake in a protection advice business (Pure Financial Advisory).

MSS 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 enhance adviser productivity and grow income per adviser. The business has also deployed its software proposition in various operational support areas, 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, delivering adviser growth of 20.8% during the financial year, now includes over 1,000 advisers. This growth in network capability means the business is well positioned to capitalise on future market activity and, more importantly, the increasing lending share delivered through intermediaries.

Partially stimulated by the temporary stamp duty holiday, Mortgage related turnover for the first half of the year was £34.1m (FY21: £21.4m), with some natural cooling in the second half as the relief was withdrawn. The ongoing investment in our network has ensured the Mortgages part of our business has been able to deliver an impressive 38% increase in turnover (FY22: £67.7m, FY21: £48.7m) over the course of FY22. Whilst this much improved level of financial performance carried through into the first half of the current financial year, the political and economic events since the mini budget of September 2022 are having some negative impact in the second half. We believe some of this will be relatively short term in nature, but interest rate stability is vital to maintaining a breadth of mortgage product choice to UK mortgage borrowers.

Finally, our recent strategic investment in the highly complementary Connect business highlights our ongoing commitment to fully support the markets in which we operate. We are extremely excited about the opportunity to work alongside its exceptional management team to develop this business alongside our existing propositions.

## **MORTGAGE AND SURVEYING SERVICES LIMITED**

### **GROUP STRATEGIC REPORT (CONTINUED)**

**Surveying and Panel Management Services (Turnover: FY22 £28.7 million (FY 21 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 many of major mainstream lenders. It currently manages c218,000 valuations per annum which equates to a market share approaching 14% and was named Best Surveyor at the Financial Reporter Awards in 2021.

We combine traditional physical inspections with more innovative data informed desktop valuations and, having invested in significant back office capabilities in both bookings and post valuation audit, we provide lenders with a truly differentiated service led offering. Additionally, we also provide end consumers with extensive value added surveys which move significantly beyond typical lender valuations.

We were an early pioneer of a business model which enables us to operate through a network of external and internal surveyors, maintaining flexible capacity whilst ensuring maximum geographical coverage. As well as increasing the reach of our external network, we have continued to invest in in-house surveying capability and now have over 100 employed surveyors. We are particularly proud of our training initiatives which support young people to qualify and move into this exciting profession.

Our Surveying business has its own development team and has benefited from investment in industry-leading technology over a number of years. Using a mix of third party and bespoke applications, our core platform enables us to enhance the utilisation of front line capacity and deliver significant back office and booking efficiencies. Our iPad based products incorporate a desktop proposition and, more recently, enhanced home survey reporting. This has resulted in SDL Surveying being recognised for delivery of a 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.

Like our Mortgages business, our Surveying business benefitted from strong "post COVID" market dynamics through the end of the previous financial year and into the first half of the current financial year. Throughout this period, volume growth was enhanced by the launch of a new desktop proposition for a major high street lender. Unsurprisingly, volumes since September 2022 have been challenged by political and economic events. However, these are short terms challenges which the business is well placed to absorb, assisted by recently awarded allocation increases on two of its major contracts.

Our investments in Desktop protect us against any longer term market drift towards increased digital penetration and we are actively investing in our home survey proposition. This investment includes both routes to market and incorporates some forward looking environmental considerations, which will inevitably impact housing stock as the UK continues to move towards its carbon reduction goals.

MORTGAGE AND SURVEYING SERVICES LIMITED

GROUP STRATEGIC REPORT (CONTINUED)

KPIs

	Year ended 31 March 2022			Year Ended 31 March 2021		
	<i>Mortgages</i>	<i>Surveying</i>	<i>Total</i>	<i>Mortgages</i>	<i>Surveying</i>	<i>Total</i>
Revenues	£67.7m	£28.7m	£96.4m	£48.7m	£26.9m	£75.7m
EBITDA pre-exceptional	-	-	£12.3m	-	-	£8.4m
Staff Numbers- Surveying and head office	103	287	390	87	258	345
Gross Mortgage Lending (arranged by our network clients)	£10.0bn	-	£10.0bn	£8.5bn	-	£8.5bn
Advisers within our Stonebridge network at Year End	1,002	-	1,002	829	-	829
Directly Authorised Advisers in Genus Network	238	-	238	137	-	137
Total panelled volumes	-	218k	218k	-	204k	204k

The items that make up EBITDA pre-exceptional is shown on the face of the statement of profit and loss, with further detail of exceptional items provided in note 10 to the financial statements. Despite the EBITDA before exceptional costs being £12.3 million our retained profit was negative principally because of a non cash £13.1 million provision against the carrying value of loans due from 2 entities which were disposed of during December 2020, after the changing external environment damaged their trading in the year.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### GROUP STRATEGIC REPORT (CONTINUED)

#### Balance Sheet and Cash Flow

As a result of the retained loss, consolidated reserves and share capital have worsened by £10.6 million over the course of the financial year (FY21 £0.6m), having been impacted by a £13.1 million exceptional provision made against the carrying value of loans due from 2 entities which were disposed of during December 2020. Prior to this provision consolidated reserves and share capital improved by £2.5m. More importantly, year-end net current assets were £11.5m (FY21 £2.4m), including £10.5m of cash balances (FY21 £8.5m).

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 because of its ownership structure, borrowings include £21.9m of sub-ordinated funding which has been provided by shareholders.

Existing bank borrowings are due for repayment in September 2023 with subordinated borrowings falling due in Jan 2024. However, as noted earlier, following the year end the Group received credit approval to extend these borrowings to March 2024, providing confidence that the Group can continue to operate as planned.

The Board is confident that the Group reflects a highly profitable and cash generative business that will, with the continuing support of its bankers and shareholders, be able to develop and grow organically over the coming years.

#### 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 property and mortgage markets have been relatively stable, but remain 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. With an anticipated UK recession, and increased interest rates, there is an expectation that housing could be depressed (in terms of both transactional volume and house prices) for the next 2 years.

The Group has demonstrated its ability to respond throughout a global pandemic and it continues to remain vigilant over its income streams and cash generation. Additionally, despite a tougher house move market, the interest rate increases help to drive re-mortgage and product transfer activity which will directly benefit our Mortgage business. Together with recent allocation increases, re-mortgage activity can help to soften some of the impact of reduced purchase volumes within Surveying. Nevertheless, the board is closely managing MSS's cost base to ensure it remains appropriate in a market which may suffer a short term contraction.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### GROUP STRATEGIC REPORT (CONTINUED)

#### Principal Risks and Uncertainties (continued)

- 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.

- 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*

Despite recent headwinds in its core markets, MSS has continued to expand market share and remained both profitable and cash generative. Although there may be some short term challenges, the Board remains confident in its core proposition and underlying platform and believe that MSS will continue to be a leading provider of Mortgage and Surveying services to the UK residential property market for many years to come. The support of its bankers and shareholders has provided the Group with confidence that it can continue to achieve its objectives.

  
S.P. JACKSON

Simon Jackson

16<sup>th</sup> December 2022

## **MORTGAGE AND SURVEYING SERVICES LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and the financial statements for the year ended 31 March 2022:

#### **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 £10,593k (2021: Loss of £571k). The directors have not recommended a dividend (2021: £Nil).

#### **Directors**

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

CA Wall, Chair  
GP Brewster  
RM Clifford  
IJ Fergusson  
EA Gratton  
PR Gratton  
CC Hickling  
JA Hickling  
SP Jackson  
G Sunner (resigned 31<sup>st</sup> January 2022)

The following directors were appointed:  
Matthew Singh was appointed on 20<sup>th</sup> April 2022

#### **Future developments**

Management's focus is on growing and developing its Surveying and Mortgage Broking businesses organically by increasing staff and mortgage adviser 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 28 and 29 to the financial statements. The nature of the Group's operations does not expose it to risk that require extensive use of financial instruments.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### Subsequent events

Since the balance sheet date the company has received credit approval to reschedule bullet repayments of its bank and shareholder loans. Further details are given in Note 31 to the accounts.

#### 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

	2022	2021
Energy consumption used to calculate emissions:	240,567 kWh	177,331 kWh
	tCO <sub>2</sub> e	tCO <sub>2</sub> e
Emissions from combustion of gas (Scope 1)	18	13
Emissions from combustion of fuel for transport purposes (Scope 1)	76	76
Emissions from business travel in rental cars or employee-own vehicles where company is responsible for purchasing the fuel (Scope 3)	185	185
Emissions from purchased electricity (Scope 2, location-based)	33	24
Emissions from waste disposal and recycling (Scope 3)	97	42
Total tonnes CO <sub>2</sub> emissions based on above	<u>409</u>	<u>340</u>
Intensity ratio: tCO <sub>2</sub> e (gross Scope 1 + 2) / £100,000 revenue	0.0013	0.0015
Intensity ratio: tCO <sub>2</sub> e (gross scope 1 + 2) per employee	0.33	0.33

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**

### **DIRECTORS' REPORT (CONTINUED)**

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

The Board of Mortgage and Surveying Services Limited ("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**

**DIRECTORS' REPORT (CONTINUED)**

**Stakeholder Engagement (CONTINUED)**

Stakeholders	Our approach	Decision making considerations
<p><b>Shareholders</b></p> <p>Our shareholders are vital to the future success of our business, as our shareholders provide funds which aid business growth.</p>	<p>Our Board includes key shareholder representatives and relevant performance metrics provided to them on a regular basis.</p> <p>Monthly meetings between management and shareholders to discuss results.</p> <p>Additional shareholder meetings to discuss acquisitions, disposals, strategic issues or changes of ownership structure.</p> <p>Our audit committee feeds back any significant items arising from the audit process, including challenges to risks and controls.</p>	<p>As a Board, we aim to provide clear information to shareholders, being honest and transparent as to the performance of the business and actively engaging with key strategic and operational developments.</p> <p>Value is generated for the shareholders by supporting the overall group to deliver on the business plan.</p>
<p><b>Customers and Product Providers</b></p> <p>We work closely with our customers and product providers to understand their evolving needs so the Company can improve and adapt to meet them.</p>	<p>Dedicated relationship managers maintain strong communication with customers and product providers, actively seeking regular performance feedback.</p> <p>Focus on key service metrics to ensure high levels of delivery.</p> <p>In consultation with our stakeholders, we work hard to develop new products to better meet their needs.</p>	<p>Long term 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.</p> <p>MSS aims to provide a consistently high quality of service at a fair market price to fulfil customer requirements.</p>
<p><b>Employees</b></p> <p>Our people have a crucial role in delivering against our strategy and creating value.</p>	<p>Regular Employee Engagement Survey to seek wide ranging feedback about the business and the culture we are building. Engagement Surveys and more informal feedback are both followed</p>	<p>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.</p>

**MORTGAGE AND SURVEYING SERVICES LIMITED**

	<p>up with line managers to create action plans for improvement.</p> <p>An employee panel comprising of representative employees from each area of the business enables the employees to share their views and concerns on specific topics.</p> <p>Monthly board monitoring of staff churn rates, including reasons for people leaving the business</p> <p>Review of health and safety reports at monthly board meetings.</p> <p>6-monthly executive Q&amp;A sessions with all employees to update on business growth and address queries.</p> <p>A well defined whistleblowing and grievances process. Any reports are investigated, and appropriate changes implemented to prevent re-occurrence.</p>	
<p><b>Regulator</b> 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.</p>	<p>We maintain close contact with the regulators and proactively engage on any issues where the answer is not sufficiently clear.</p> <p>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.</p> <p>Well invested compliance functions which closely monitor business activity to ensure it is completed in line with the regulator's requirements.</p>	<p>The head of compliance and an independent 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.</p> <p>A compliance report of any issues identified within the subsidiaries is escalated to the group board meeting for consideration where relevant.</p>

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**Stakeholder Engagement (CONTINUED)**

An overview of the Board's principal decisions throughout the year, including how the Board has considered the factors set out in Section 172 of the Companies Act 2006 is set out below.

Decision taken	Actions taken	Key Stakeholder considerations
Setting the annual group budget and subsequent forecasts	Reviewed and approved Group budgets for FY23 and reforecasts to reflect the changing market environment.  Approved the going concern assumption	Up to date expectations of profitability were communicated to Shareholders in order to ensure they were kept informed in a changing environment.  Appropriate resourcing levels were set in order to ensure continued delivery of high service levels to Customers and appropriate oversight of work undertaken for Regulators.
Acquisition of Connect IFA Limited	Review of Connect acquisition proposal including financial and regulatory due diligence  Negotiation with Connect Shareholders and approval of deal structure	Synergies between the existing business and Connect will deliver value for both groups of Shareholders.  Connect's knowledge of the specialist lending market provides additional opportunities for existing Stonebridge Customers.  Detailed review of Connect's compliance history to ensure that strong relationship with Regulators is maintained.  Expanded group created opportunities for employee development and progression within central teams.
Capital expenditure plan approved with continued investment in technology platforms	Review of technology roadmap for all businesses  Agreement of planned delivery dates	Delivers better software for Employees to make it easier to complete their work and so simultaneously deliver efficiencies for Shareholders.  Ensures that software platforms provide compliance with the latest Regulatory requirements.  Match software to changing customer requirements to minimise queries and improve service delivery.
Approval of extension of banking and shareholder loan facilities	Reviewed revised lending agreement and approved.	Provide certainty to Shareholders about the stability of the Group.

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**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 appoint the auditor, BDO LLP, was proposed and has been appointed.

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



S P Jackson (Dec 16, 2022 13:48 GMT)

**Simon Jackson**  
16<sup>th</sup> December 2022

Registered number 06055271

England and Wales

## **MORTGAGE AND SURVEYING SERVICES LIMITED**

### **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 UK adopted International accounting standards 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 and prudent;
- state whether applicable UK adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

## **MORTGAGE AND SURVEYING SERVICES LIMITED**

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

#### **Opinion on the financial statements**

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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

We have audited the financial statements of Mortgage and Surveying Services Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## MORTGAGE AND SURVEYING SERVICES LIMITED

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

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the *annual report* other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

#### Responsibilities of Directors

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

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

## MORTGAGE AND SURVEYING SERVICES LIMITED

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

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

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

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

To identify and assess the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and Group based on our understanding and sector experience and discussions with management. The most significant considerations for the Company and Group are the Companies Act 2006, complying with the FCA, corporate taxes and VAT.
- We enquired of management and Audit Committee and obtained and reviewed relevant supporting documentation including correspondence with the relevant authorities, concerning the Company's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Based on our understanding of the environment and assessment of the incentive and opportunity for fraud or material misstatement arising in respect of non-compliance with laws and regulations, we carried out procedures including but not limited to:

- We reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations. We corroborated our enquiries of management through our review of board minutes.

## MORTGAGE AND SURVEYING SERVICES LIMITED

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

#### Auditor's responsibilities for the audit of the financial statements (continued)


- We tested the appropriateness of accounting journals, including those relating to adjustments made in the preparation of the financial statements including consolidation journals. We obtained access to the nominal ledger system and extracted the complete population of all journals in the year to identify and substantively test any which we considered were indicative of management override.
- We reviewed the Group's accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business.
- We considered the total unadjusted audit differences for indications of bias or deliberate misstatement.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
0CC53D18F43B471...

Gareth Singleton (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Two Snowhill  
Birmingham  
B4 6GA

16 December 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME**  
for the years ended 31 March 2022

	Notes	2022 £'000	2021 £'000 (Restated)
Revenue	3	96,390	75,686
Cost of sales		(69,267)	(55,017)
Gross Profit		27,123	20,669
Other operating income		166	148
Administrative expenses		(31,932)	(15,329)
Operating (loss) / profit		(4,643)	5,488
Analysed as:			
EBITDA before exceptional items		12,259	8,356
Depreciation, amortisation and gain/(loss) on disposal	4	(2,489)	(2,498)
Exceptional items: cash costs	10	(1,302)	(370)
Exceptional items: non-trading asset provision	10	(13,111)	-
Operating (loss) / profit		(4,643)	5,488
Share of associate's and joint venture's profit	15	106	105
Finance income	8	1,767	475
Finance costs	9	(6,791)	(5,426)
Movement in fair value of financial instruments		-	1,214
(Loss) / Profit before taxation		(9,561)	1,856
Taxation	11	(1,032)	(716)
(Loss) / Profit from continuing operations		(10,593)	1,140
Discontinued operations	25	-	(1,711)
Loss for the year		(10,593)	(571)

There were no recognised gains and losses for 2022 other than those included in the Consolidated Statement of Profit and Loss and Other Comprehensive income.

Details of the restatements are given in note 26.

The notes on pages 28-63 form part of these financial statements.

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**CONSOLIDATED BALANCE SHEET**  
as at 31 March 2022

	Notes	2022 £'000	2021 £'000 (Restated)	2020 £'000 (Restated)
<b>Non-current assets</b>				
Goodwill	12	20,444	20,444	23,629
Intangible assets	13	11,021	12,271	15,386
Property, plant and equipment	14	2,125	1,964	3,084
Investments in associates and joint ventures	15	846	740	621
Receivables greater than one year	16	2,811	15,884	3,597
<b>Total non-current assets</b>		<b>37,247</b>	<b>51,303</b>	<b>46,317</b>
<b>Current assets</b>				
Trade and other receivables	16	10,200	8,882	7,474
Assets held for sale		-	-	3,889
Cash and cash equivalents	17	10,513	8,511	3,449
<b>Total current assets</b>		<b>20,713</b>	<b>17,393</b>	<b>14,812</b>
<b>Amounts falling due within one year</b>				
Trade and other payables	19	(14,687)	(10,507)	(12,488)
Provisions	19	(779)	(712)	(565)
Borrowings	18	(3,750)	(3,750)	(4,777)
Shares classed as liabilities		-	-	(408)
Liabilities associated with assets held for sale		-	-	(4,685)
<b>Total current liabilities</b>		<b>(19,216)</b>	<b>(14,969)</b>	<b>(22,923)</b>
<b>Net current assets</b>		<b>1,497</b>	<b>2,424</b>	<b>(8,111)</b>
<b>Total assets less current liabilities</b>		<b>38,744</b>	<b>53,727</b>	<b>38,206</b>
<b>Amounts falling due after more than one year</b>				
Borrowings	18	38,603	44,809	36,229
Shares classed as liabilities	18,22	5,760	6,320	5,426
Deferred tax liabilities	21	2,486	2,560	2,045
Other liabilities	19	11,183	8,778	5,606
Provisions	19	525	480	382
<b>Total non-current liabilities</b>		<b>58,557</b>	<b>62,947</b>	<b>49,688</b>
Share capital	22	1,671	1,671	1,661
Share premium	24	8,063	8,063	7,979
Share warrants	24	2,739	2,739	-
Share based payment reserve	24	216	216	188
Capital redemption reserve	24	3,006	3,006	3,006
Merger reserve	24	976	976	976
Retained deficit	24	(36,484)	(25,891)	(25,292)
<b>Total equity</b>		<b>(19,813)</b>	<b>(9,220)</b>	<b>(11,482)</b>
<b>Total Capital Employed</b>		<b>38,744</b>	<b>53,727</b>	<b>38,206</b>

The financial statements were approved by the Board of Directors on 16<sup>th</sup> December 2022 and were signed on its behalf by:

*S.P. Jackson*

S.P. Jackson (Dec 16, 2022 13:48 GMT)

**Simon Jackson**

Registered number 06055271

MORTGAGE AND SURVEYING SERVICES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the years ended 31 March 2022

	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
Balance at 31 March 2020	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)	-
Balance at 31 March 2021	1,671	8,063	2,739	216	3,006	976	(25,891)	(9,220)
Loss for the year to 31 March 2022	-	-	-	-	-	-	(10,593)	(10,593)
Balance at 31 March 2022	1,671	8,063	2,739	216	3,006	976	(36,484)	(19,813)

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the years ended 31 March 2022

	Notes	2022 £'000	2021 £'000 (Restated)
<b>Operating activities</b>			
Operating (loss) / profit		(4,643)	5,488
Discontinued operations		-	(1,718)
Discontinued operation tax charge		-	8
Depreciation and amortisation charge	13,14	2,674	3,219
Impairment of amounts due from other debtors		13,111	-
Profit on disposals		(185)	(1,508)
Increase in receivables		(1,028)	(2,041)
Increase in payables		1,960	3,506
Taxation		(1,469)	(288)
<b>Cash generated from operating activities</b>		<b>10,420</b>	<b>6,666</b>
<b>Investing activities</b>			
Purchases of plant and equipment	14	(199)	(80)
Additions to intangible assets	13	(710)	(374)
Cash disposed of on discontinued activities		-	(125)
Cash received from disposals		188	-
Cash received from loans to other debtors repaid		1,700	-
Loans to other debtors		-	(6,831)
<b>Net cash generated from/(used in) investing activities</b>		<b>979</b>	<b>(7,410)</b>
<b>Financing activities</b>			
Lease liabilities		(451)	(577)
Interest paid		(1,079)	(1,075)
New borrowings	18	-	13,318
Borrowings repaid	18	(7,250)	(4,777)
Borrowing costs paid		-	(1,358)
Proceeds from issue of shares		-	94
<b>Net cash (used in) / generated from financing activities</b>		<b>(8,780)</b>	<b>5,625</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,002</b>	<b>4,881</b>
Cash / cash equivalents at the beginning of the year		8,511	3,630
<b>Cash / cash equivalents at the end of the year</b>	17	<b>10,513</b>	<b>8,511</b>

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**COMPANY BALANCE SHEET**  
as at 31 March 2022

	Notes	2022 £'000	2021 £'000
<b>Non-current assets</b>			
Investments	15	33,302	33,302
Receivables more than one year	16	758	15,048
Total non-current assets		<u>34,060</u>	<u>48,350</u>
<b>Current assets</b>			
Trade and other receivables	16	1,623	43
Cash and cash equivalents	17	1,648	125
Total current assets		<u>3,271</u>	<u>168</u>
<b>Amounts falling due within one year</b>			
Trade and other payables	19	(5,316)	(305)
Borrowings	18	(3,750)	(3,750)
Total current liabilities		<u>(9,066)</u>	<u>(4,055)</u>
Net current liabilities		(5,795)	(3,887)
<b>Total assets less current liabilities</b>		<u><b>28,265</b></u>	<u><b>44,463</b></u>
<b>Amounts falling due after more than one year</b>			
Borrowings	18	38,603	44,809
Shares classed as liabilities	18, 22	5,760	6,320
Other liabilities	19	7,025	4,511
Total non-current liabilities		<u>51,388</u>	<u>55,640</u>
Share capital	22	1,671	1,671
Share premium	24	8,063	8,063
Share warrants	24	2,739	2,739
Share based payment reserve	24	216	216
Capital redemption reserve	24	3,006	3,006
Merger reserve	24	976	976
Retained deficit		(39,794)	(27,848)
Total equity		<u>(23,123)</u>	<u>(11,177)</u>
<b>Total Capital Employed</b>		<u><b>28,265</b></u>	<u><b>44,463</b></u>

A separate statement of comprehensive income for the parent company has not been presented as permitted by section 408 of the Companies Act 2006. The parent company made a loss of £11,946k (2021: loss of £4,238k) for the year.

The financial statements were approved by the Board of Directors on 16<sup>th</sup> December 2022 and were signed on its behalf by:

  
S P Jackson (Dec 16, 2022 13:48 GMT)

**Simon Jackson**  
Registered number 06055271

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**COMPANY STATEMENT OF CASH FLOWS for the year ended 31 March 2022**

	Notes	2022 £'000	2021 £'000 (Restated)
<b>Net cash generated from operating activities</b>			
Operating (Loss)		(14,174)	(3,642)
Impairment of amounts due from other debtors		13,111	-
Loss on disposal		-	-
Disposal of investment		-	2,522
(Increase) / Decrease in receivables		(676)	(89)
Increase/(decrease) in payables		754	158
<b>Cash generated from operating activities</b>		<u>(985)</u>	<u>(1,051)</u>
<b>Investing activities</b>			
Dividends received		6,300	2,020
Loans repaid from /(made to) other debtors		2,250	(7,431)
<b>Net cash generated from/(used in) investing activities</b>		<u>8,550</u>	<u>(5,411)</u>
<b>Financing activities</b>			
Interest paid		(982)	(1,006)
New borrowings		2,190	13,318
Repayment of borrowings		(7,250)	(4,777)
Borrowing costs paid		-	(1,358)
Share issue		-	94
<b>Net cash (used in)/generated from financing activities</b>		<u>(6,042)</u>	<u>6,271</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,523	(191)
Cash and cash equivalents at the beginning of the year		125	316
<b>Cash and cash equivalents at the end of the year</b>	17	<u>1,648</u>	<u>125</u>

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2021/22**

	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
Balance at 1 April 2020	1,661	7,979	-	188	3,006	-	976	(23,582)	(9,772)
Loss for the year to 31 March 2021								(4,238)	(4,238)
	<b>1,661</b>	<b>7,979</b>	<b>-</b>	<b>188</b>	<b>3,006</b>	<b>-</b>	<b>976</b>	<b>(27,820)</b>	<b>(14,010)</b>
Transactions with owners:									
Share options exercised	10	84	-	-	-	-	-	-	94
Share warrants issued	-	-	2,739	-	-	-	-	-	2,739
Share option charge	-	-	-	28	-	-	-	(28)	-
Balance at 31 March 2021	1,671	8,063	2,739	216	3,006	-	976	(27,848)	(11,177)
Loss for the year to 31 March 2022	-	-	-	-	-	-	-	(11,946)	(11,946)
Balance at 31 March 2022	<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>(39,794)</b>	<b>(23,123)</b>

## MORTGAGE AND SURVEYING SERVICES LIMITED

### 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 completed the restructuring of its operations on 7 December 2020, to focus its' efforts on the provision of mortgage network, panel management and surveying services only. The loans within the Group have guarantees across all companies in the Group and therefore the Going Concern assessment of the Company is consistent with that of the Group of which it is a part.

The Group produced a loss for the year to 31 March 2022 of £10.6m (2021; loss of £0.6m) and had net current assets and net liabilities at the end of the year of £1.5m (2021 - £2.4m) and £19.8m (2021 - £9.2m) respectively. The loss in the current year reflects a provision for the impairment of a related party receivable of £13.1m due to a change in credit risk, which is not a cash expenses in the year. Pre-exceptional EBITDA for the year was £12.3m, an improvement on the prior year pre-exceptional EBITDA of £8.4m. This improvement in performance partially reflects an element of recovery against a year in which activity levels were significantly impacted by the distortions and challenges presented by various COVID related restrictions and lockdowns.

To support their going concern assessment the Directors have considered the trading and cash requirements of the business for the period to 31 December 2023 being 12 months from the date the financial statements have been approved. The assessment has used the rolling trading and cash flow forecasts for the period to 31 March 2025 and tested working capital headroom under various downside sensitivity scenarios, that could reasonably be foreseen. This includes the impact on the market for the Group's products should there be a period of reduced demand for house moves arising from interest rate increases and inflationary pressure on the cost of living. The assessment has demonstrated that the Group continues to generate cash from trading operations throughout the going concern period.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1 Accounting policies (continued)

##### Going Concern - continued

The Group is funded by external bank debt and shareholder loan notes as detailed in note 18, some of which fall due for repayment in 2023 within the going concern assessment period. However, as highlighted in note 31, at the point of approval of the financial statements the Company has received credit approval from its bankers to extend their Term Loan and Revolving Credit Facilities (“RCF”) to March 2024. The Directors are satisfied that the CLBILs facility is capable of being fully repaid from cash reserves on its due date. However, they are in early discussions with the Group’s bankers in relation to potentially refinancing part of this facility when it falls due for repayment, with the aim of providing both additional headroom alongside an ability to accelerate certain growth projects. The forecasts also consider ongoing covenant compliance against the existing requirements and demonstrate that covenants are complied with throughout the going concern assessment period. In addition to the Group’s banks extending their term loan and RCF facilities, the shareholder loan note holders have agreed to extend the repayment dates on their instruments to be beyond March 24.

Based on the forecasts prepared; current trading; the covenant headroom in the forecasts; the Directors continue to believe it remains appropriate to prepare these accounts on the 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.

##### *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.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1 Accounting policies (continued) Basis of consolidation (continued)

##### *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.

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.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1. Accounting policies (continued) Business combinations and goodwill (continued)

##### 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:

- 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; and
- commission on the arrangement of financial services products is recognised when the mortgage exchanges or the insurance product starts. Cash is received within normal commercial terms following completion or inception.

Revenue is recognised net of a liability for the repayment of indemnity commissions which may become repayable to customers should a policy lapse within its indemnity period. A corresponding receivable is shown for the amount that the Company would recover in respect of such payments from its Appointed Representatives. Movements in the liability are presented in cost of sales and movements in the receivable are presented in revenue.

##### 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.

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.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 1 Accounting policies (continued) 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 10.

## 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.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### 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;
- 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) Leases (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 utilised the Coronavirus Job Retention scheme in the prior year, the total amount received was £499k and was offset against staff costs. No such payment was received in the current year.

#### **Provision for incomplete services**

A provision is included in the statement of financial position for amounts owed to suppliers that cannot be paid out for regulatory reasons. The provision is recognised at the point the amount would have been paid if the regulatory requirements had been completed and charged to cost of sales. The amount is a proportion of the total due based on the Group's understanding of its payment history for such amounts.

#### **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 27.

## 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

###### *Refund liability*

A refund liability for the potential repayment of commissions received at the inception of a life assurance policy that may lapse in the period of the policy is included in the statement of financial position. The estimate of the liability is by its nature judgemental and is based upon an estimate of the most likely future repayment rate based on historic trends. Whilst every attempt is made to ensure that the liability is as accurate as possible, there remains a risk that the liability does not match the level of commissions which will ultimately be repaid.

A separate re-imburement asset is recognised to the extent that clawback amounts could be recovered from the Group's suppliers of financial services which is calculated based on the same trends used in calculating the refund liability but with an adjustment for credit risk.

If the clawback rate was to increase/decrease by 1% the liability would change by £672k and the associated receivable by £497k resulting in an increase/decrease in net assets of £175k.

###### *Incomplete services provision*

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.

##### Key sources of estimation uncertainty

###### *Estimation of future profitability*

The fair value of shares classed as liabilities is dependent upon the expected future profitability of the business. This valuation is based on management's expectation of the future market and the Group's performance. As with any forecast there is a risk that estimated future values could be incorrect leading to an adjustment to the accounts.

## MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

### 3 Analysis of all 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 all turnover by class of business is as follows:

	2022 £'000	2021 £'000
Mortgage Services	67,731	48,781
Surveying	28,659	26,905
	<u>96,390</u>	<u>75,686</u>

All turnover relates to the provision of services, is recognised at a point in time as explained in the accounting policies and arose within the United Kingdom. There is no deferred income on either the opening or closing balance sheet.

### 4 Operating profit for the period before exceptionals is stated after charging/(crediting):

	2022 £'000	2021 £'000
Amortisation (note 13)	1,960	1,901
Depreciation of plant and equipment (note 14)	714	557
(Gain)/Loss on disposals	(185)	40
Expenses related to short-term leases (note 20)	60	83
Expenses related to low-value assets (note 20)	63	65

### 5 Auditor's remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditor for the audit of the Group annual financial statements	43	35
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	92	144
• Tax compliance services	-	20
• Other services	338	-

In the prior year audit and tax services were both provided by KPMG. These have now been separated, with audit services provided by BDO LLP. As such the auditor no longer provides taxation services. In the current year prior to being engaged as auditor BDO LLP were engaged to provide non-recurring corporate finance advice.

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:

	2022	2021 (restated)
	Number	Number
<b>Continuing Operations</b>		
Mortgage Services	103	87
Surveying	138	127
Head Office	149	131
	<u>390</u>	<u>345</u>
<b>Discontinued Operations</b>		
Property and related services	-	153
Group and administrative functions	-	31
	<u>390</u>	<u>529</u>
<b>Staff costs for the above persons were:</b>		
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	17,137	20,692
Social Security Costs	1,785	2,048
Pension Costs	447	598
	<u>19,369</u>	<u>23,338</u>
<b>Disclosed as:</b>		
Cost of sales	9,087	7,933
Administrative expenses	10,282	8,712
Discontinued operations	-	6,693
	<u>19,369</u>	<u>23,338</u>

All key management personnel are directors. Directors' remuneration is disclosed in note 7. There are no employees for the individual company.

#### 7 Directors' remuneration

	2022	2021
	£'000	£'000
Directors' remuneration comprised:		
Aggregate remuneration	<u>694</u>	<u>779</u>

The highest paid director received remuneration of £296k (2021: £350k). No retirement benefits accrued to directors in either the 2022 or 2021 financial years under the Group's money purchase pension schemes. No directors exercised share options during the year.

#### 8 Finance income

	2022	2021
	£'000	£'000
Bank interest receivable	-	2
Interest from other debtors	1,207	473
Decrease in shares classed as liabilities	560	-
	<u>1,767</u>	<u>475</u>

**MORTGAGE AND SURVEYING SERVICES LIMITED**

Notes (continued)

**9 Finance Costs**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>(restated)</b>
	<b>£'000</b>	<b>£'000</b>
Finance cost on bank loans and overdrafts	1,208	1,151
Other similar charges payable	4,498	2,670
Increase in shares classed as liabilities	-	486
Preference dividend accrued	1,085	841
Write off of capitalised fees	-	278
	<u>6,791</u>	<u>5,426</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.

**10 Exceptional items**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Continuing Operations</b>		
Reorganisation costs and advisor fees	1,282	(105)
Refinancing costs	-	475
Funding agreement re-write costs	20	-
Exceptional items: cash cost	<u>1,302</u>	<u>370</u>
Exceptional items: non-trading asset provision	13,111	-
<b>Discontinued Operations</b>		
Group re-organisation costs	-	235
	<u>-</u>	<u>235</u>
Exceptional items	<u>14,413</u>	<u>605</u>

During the current financial year fees have been incurred in relation to a significant transaction that was abandoned. It has also incurred final costs in relation to the re-organisation discussed below and costs in relation to the conversion of lending agreements from LIBOR to SONIA due to the planned termination of the previous measure.

A provision against a non-trading asset has also been raised in relation to debts created on the separation of the Group in December 2020. The requirement for this provision has arisen as a result of worsening trading performance in those demerged entities and an increase in credit risk.

During the prior financial year the group raised finance using the Coronavirus large business interruption loan scheme to help reduce the financial risk caused by coronavirus. This coincided with the completion of the planned re-organisation to separate the Group based on its different market dynamics, management accountabilities and longer-term funding need.

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**Notes (continued)**

**11 Taxation**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
In respect of the current year	1,321	339
Adjustment in respect of prior years	<u>(142)</u>	<u>(49)</u>
	<u>1,179</u>	<u>290</u>
<b>Deferred tax</b>		
In respect of the current year		
Origination and reversal of timing differences	65	411
Change in tax rate	50	-
Adjustments in respect of prior years	<u>(262)</u>	<u>15</u>
	<u>(147)</u>	<u>426</u>
	(Note 21)	
<b>Total tax charge for the year</b>	<u>1,032</u>	<u>716</u>

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit/(Loss) before taxation</b>		
Continuing operations	(10,593)	1,856
Discontinued operations	-	(1,711)
	<u>(10,593)</u>	<u>145</u>
<b>Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2021: 19%)</b>	(2,013)	28
<b>Effects of:</b>		
Non-taxable income -	(126)	(10)
Expenses not allowable for taxation	3,130	479
Adjustment in respect of prior years - deferred tax	(76)	15
Tax losses not previously recognised	-	-
Rate differences	132	-
Adjustment in respect of prior years - current tax	(139)	(49)
Deferred tax not recognised	124	274
Other	-	(21)
<b>Total tax expense for the year</b>	<u>1,032</u>	<u>716</u>

**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 2022 has been calculated at 25% (2021: 19%).

There are tax losses of £Nil (2021: £Nil) which have not been recognised at 31 March 2022.

**MORTGAGE AND SURVEYING SERVICES LIMITED**

Notes (continued)

**12 Goodwill**

	2022 £'000	2021 £'000
<b>Cost and net book amount</b>		
Balance at beginning of year	20,444	23,629
Disposals	-	(3,185)
Balance at end of year	<u>20,444</u>	<u>20,444</u>

Goodwill by operating segment is split as follows:

	2022 £'000	2021 £'000
Mortgage Services	9,565	9,565
Surveying	10,879	10,879
	<u>20,444</u>	<u>20,444</u>

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

**13 Intangible assets - Group**

	Franchise Agreements £'000	Software £'000	Customer relationships £'000	Trade name £'000	Total £'000
<b>Cost</b>					
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
Additions	-	710	-	-	710
Disposals	-	(134)	-	-	(134)
At 31 March 2022	-	4,610	15,934	100	20,644
<b>Amortisation</b>					
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
Charge for the period	-	634	1,318	8	1,960
Disposal	-	(134)	-	-	(134)
At 31 March 2022	-	2,974	6,604	45	9,623
<b>Net book value</b>					
At 31 March 2022	-	1,636	9,330	55	11,021
At 31 March 2021	-	1,560	10,648	63	12,271

Included in the amortisation charge in the prior year is £1,901k relating to continuing operations and £566k relating to discontinued operations.

**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 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
Re-classification	-	111	(111)	-
Additions	-	199	870	1,069
Disposals	-	(33)	(289)	(322)
At 31 March 2022	-	880	3,148	4,028
<b>Depreciation</b>				
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
Re-classification	-	34	(34)	-
Charge for the period	-	55	659	714
Disposals	-	(30)	(98)	(128)
At 31 March 2022	-	548	1,355	1,903
<b>Net book value</b>				
At 31 March 2022	-	332	1,793	2,125
At 31 March 2021	-	114	1,850	1,964

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.

Included in the depreciation charge in the prior year is £557k relating to continuing operations and £194k relating to discontinued operations.

**MORTGAGE AND SURVEYING SERVICES LIMITED**

Notes (continued)

**15 Investments**

*Associates and joint ventures*

	£'000
Share of net assets of associates and joint ventures	
At 1 April 2020	621
Share of associates' profit	105
Disposal of joint venture	14
At 31 March 2021	<u>740</u>
Share of associates' profit	106
At 31 March 2022	<u><u>846</u></u>

Company	Associates and Joint Ventures £'000	Subsidiaries £'000	Total £'000
Cost and net book amount			
At 1 April 2020	490	36,034	36,524
Disposal	-	(3,222)	(3,222)
At 31 March 2021 and 31 March 2022	<u>490</u>	<u>32,812</u>	<u>33,302</u>

The investment at 1 April 2020 represents the entire ordinary share capital of the following companies which were disposed of on 7 December 2020.

	Principal place of business and country of incorporation	Nature of business
SDL Lettings Management Limited	UK	Lettings management
Direct Lettings GP Limited	UK	Lettings management consultancy
Central Lettings UK PRS GP Limited	UK	Lettings management consultancy
Maurice Macneill Iona Limited	UK	Franchisor of estate agencies
CP Bigwood Management LLP	UK	Estate management services
SDL Auctions Limited	UK	Property auctions
SDL Estate Management Limited	UK	Estate management services
SDL Group Services Limited	UK	Group shared services centre

## MORTGAGE AND SURVEYING SERVICES LIMITED

### 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
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

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

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 15 Investments (continued)

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

##### Sesame Bankhall Valuation Services Limited

	2022 £'000	2021 £'000
Current assets	4,616	4,528
Current liabilities	(3,718)	(3,741)
Net assets of associate at 31 March	<u>898</u>	<u>787</u>
Revenue	21,702	18,780
Profit/(Loss) for the year	111	(159)
Dividends received from the associate during the year	-	-
Profit/(Loss) attributable to parent company	28	(40)

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:

	2022 £'000	2021 £'000
Net assets of the associate	898	787
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	225	197

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

Name of company	Registered address	Nature of business	% Voting rights and ordinary shares held
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 were £159k, of which £78k (2021: £143k) 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 £621k (2021: £543k).

An investment in a joint venture, Wise Living Homes Limited (of which the group owned 17%) was disposed of on 7 December 2020.

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**16 Trade and other receivables**

	Group			Company	
	2022	2021 (restated)	2020 (restated)	2022	2021
	£'000	£'000	£'000	£'000	£'000
<b>Receivables &lt; 1 year</b>					
Trade receivables	3,061	2,924	2,253	-	-
Prepayments	3,888	2,989	3,760	719	-
Other receivables	1,190	751	639	-	-
Re-imburement asset	1,679	2,126	740	-	-
Other tax and social security	-	-	-	-	43
Corporation tax	382	92	82	904	-
	<u>10,200</u>	<u>8,882</u>	<u>7,474</u>	<u>1,623</u>	<u>43</u>
<b>Receivables &gt; 1 year</b>					
Amounts owed by other debtors	758	14,448	2,575	758	15,048
Re-imburement asset	2,053	1,436	1,020	-	-
	<u>2,811</u>	<u>15,884</u>	<u>3,595</u>	<u>758</u>	<u>15,048</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.

The re-imburement asset totals £3,732k (2021: £3,562k) recoverable from mortgage advisers in relation to potential clawback for policy lapses (see note 19 for details). This is stated net of a £200k (2021: £300k) provision for potential bad debts.

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	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
As at 1 April	42	43	-	-
Charge for the period	-	(1)	-	-
As at 31 March	<u>42</u>	<u>42</u>	<u>-</u>	<u>-</u>

As at 31 March 2022 trade receivables of £3k (2021: £16k) were past their due date but not impaired. The ageing analysis of trade receivables that are past due but not impaired is as follows:

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 16 Trade and other receivables (continued)

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Up to 3 months past due	-	-	-	-
3 to 6 months past due	-	7	-	-
6 to 12 months past due	3	9	-	-

#### 17 Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Cash at bank and in hand	10,513	8,511	1,648	125

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 counterparty is a bank with a high credit rating.

#### 18 Financial Liabilities

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
<b>Borrowings</b>				
Current	3,750	3,750	3,750	3,750
Non-current	38,603	44,809	38,603	44,809
	<u>42,353</u>	<u>48,559</u>	<u>42,353</u>	<u>48,559</u>

Borrowings of £42,353k (2021: £48,559k) consists of gross liabilities of £44,307k (2021: £51,572k) less associated warrants and capitalised borrowing costs of £1,954k (2021: £3,013k).

Gross borrowings include £22,457k (2021: £29,707k) of bank loans; £19,548k (2021: £19,563k) due to the Business Growth Fund ("BGF"); and £2,302k (2021: £2,302k) of other loans.

Bank Loans comprise four facilities due to a combination of Clydesdale Bank plc and National Westminster Bank Plc. Facility A (£4,688k) 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 (£2,500k) repayable on 13 September 2023 and the CLIBLS Facility (£8,140k) repayable on 13 September 2023. Interest on all bank loans is paid at varying rates (2.01% - 3.75%) above Bank of England SONIA.

Amounts due to BGF include a variety of fixed rate, unsecured loan instruments. All tranches (£19,548k) fall due for repayment on 18 January 2024. Interest is charged at 12% across all tranches.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 18 Financial Liabilities (continued)

Other loans include a variety of fixed rate, unsecured loan note instruments repayable on 18 January 2024. £2,302k (2021: £2,347k) of these loans attract interest at 12% (2021: 12%).

Shares classed as liabilities	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Non-current	5,760	6,320	5,760	6,320

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 2022.

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%.

#### 19 Trade and other payables and provisions

##### Trade and other payables:

	Group			Company	
	2022	2021	2020	2022	2021
	£'000	(restated) £'000	(restated) £'000	£'000	£'000
<b>Amounts due in &lt; 1 year</b>					
Trade payables	2,878	1,862	2,419	192	61
Other tax and social security	1,404	1,092	2,037	-	-
Accruals and deferred income	5,191	2,225	4,126	2,935	68
Other payables	4,528	4,743	3,120	2,189	176
Deferred tax (note 21)	-	73	152	-	-
Lease liabilities	686	512	634	-	-
	<u>14,687</u>	<u>10,507</u>	<u>12,488</u>	<u>5,316</u>	<u>305</u>
<b>Amounts due in &gt; 1 year</b>					
Other liabilities	2,855	3,058	1,426	-	-
Accruals and deferred income	7,025	4,471	2,243	7,025	4,471
Intercompany payables	-	-	-	-	40
Lease liabilities	1,303	1,249	1,937	-	-
	<u>11,183</u>	<u>8,778</u>	<u>5,606</u>	<u>7,025</u>	<u>4,511</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.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 19 Trade and other payables and provisions (continued)

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

Included in other creditors is a liability for repayment of commission to the product provider in the event that a policy may lapse before its expiration date.

Movement in the liability is shown below:

	Debtor £'000s	Creditor £'000s	Net £'000s
At 1 April 2021	3,562	4,818	1,256
Movement in the year	170	243	73
At 31 March 2022	<u>3,732</u>	<u>5,061</u>	<u>1,329</u>

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

Accruals more than one year relate to interest accruals which are not due for payment until all outstanding bank debt has been settled.

#### Provisions

Movements in the balance for the incomplete services provision are as follows:

	£'000s
At 1 April 2020 (as restated)	947
Utilisation in the year	(880)
Charged to profit and loss account	<u>1,125</u>
At 1 April 2021	<u>1,192</u>
Utilisation in the year	(1,108)
Charged to profit and loss account	<u>1,220</u>
At 31 March 2021	<u>1,304</u>

This balance is disclosed on the Balance Sheet as £779k due within one year (2021: £712k) and £525k due in more than one year (2021: £480k).

The provision for incomplete services relates to amounts potentially owed to suppliers held in suspense because there are contractual obligations outstanding and regulatory compliance matters outstanding at the balance sheet date. As there is uncertainty as to whether the obligations will be completed and when this will be completed a provision is recognised for the anticipated liability arising from these services. More details are provided in note 2.

## 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	Motor vehicles	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
Balance at 31 March 2021	1,145	564	141	1,850
Additions to right-of-use assets	309	553	63	925
Depreciation charge for the year	(158)	(439)	(60)	(657)
Derecognition of right-of-use assets	(191)	-	(3)	(194)
Re-Classification	(187)	69	(10)	(128)
Balance at 31 March 2022	<b>918</b>	<b>747</b>	<b>131</b>	<b>1,796</b>

##### Amounts recognised in profit or loss

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

	2022 £'000	2021 £'000
Interest expense on lease liabilities	93	80
Expenses relating to short-term leases	60	83
Expenses relating to leases of low-value assets accounted, excluding short-term leases of low-value assets	63	65

#### 21 Deferred Tax

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
At 1 April	(2,633)	(2,320)	-	-
Charged to the statement of profit and loss and other comprehensive income	147	(426)	-	-
Eliminated on disposal	-	113	-	-
At 31 March	<b>(2,486)</b>	<b>(2,633)</b>	-	-
Split as:				
Deferred tax liabilities less than one year	-	(73)	-	-
Deferred tax liabilities more than one year	<b>(2,486)</b>	<b>(2,560)</b>	-	-

**MORTGAGE AND SURVEYING SERVICES LIMITED**

Notes (continued)

**21 Deferred Tax (continued)**

A deferred tax asset of £1,531k (2021: £1,303k) was not recognised during the year.

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Accelerated capital allowances	(338)	(228)	-	-
Tax losses recognised	-	-	-	-
Intangible assets	(2,148)	(2,405)	-	-
At 31 March	<u>(2,486)</u>	<u>(2,633)</u>	<u>-</u>	<u>-</u>

**22 Called up share capital**

	2022 '000	2021 '000
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	1,105	1,105
A ordinary shares of £1 each	529	529
B ordinary shares of £1 each	37	37
	<u>1,671</u>	<u>1,671</u>
Shares classed as liabilities: A ordinary shares of £1 each	<u>5,760</u>	<u>6,320</u>

During the prior 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 2022 each to the higher of 9.3% of net profits and 10% of the amount credited as paid up on the A ordinary shares.

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 cancelled a further 30 H shares and issued 100 G shares meaning that at the end of the year, there were 300 (2021: 200) G Shares and 500 (2021: 530) H Shares in issue. The G and H shares carry no voting rights.

During the current financial year, the company cancelled a further 50 of J shares, meaning that at the year-end 200 (2021: 250) J shares were outstanding. The J shares carry no voting rights.

During the current financial year 2,699 K Shares were issued. The K shares carry no voting rights.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 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, no options were exercised or cancelled.

	Number of share options	Weighted average exercise price
Outstanding at 31 March 2021 and 31 March 2022	7,026	£1

The options outstanding as at 31 March 2022 had a weighted average remaining contractual life of 5 years:

The options and warrants outstanding as at 31 March 2022 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:

	2022 £'000	2021 £'000
Equity settled share-based payment expense	-	28

#### 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:** 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 the value of outstanding share warrants.

**Share based payment reserve:** Records shares issued under share-based payment awards to employees.

**Capital redemption reserve:** Records the amounts redeemed in respect of preference shares.

**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:** Relates to the cumulative retained earnings less amounts distributed to shareholders.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 25 Discontinued operations

During the prior year the company disposed of the Property Management Services group of businesses in their 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.

	2022	2021 (restated)
	£'000	£'000
Revenue	-	9,392
Cost of sales	-	(2,390)
Gross Profit	<u>-</u>	<u>7,002</u>
Administration Expenses	-	(10,221)
Operating (loss) before taxation	<u>-</u>	<u>(3,219)</u>
Taxation	-	-
Loss for the year	<u>-</u>	<u>(3,219)</u>
Profit on disposal	<u>-</u>	<u>1,508</u>
	<u>-</u>	<u>(1,711)</u>

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 26 Restatement of previously presented balances

Following the production of the 31 March 2021 statutory financial statements the Group has decided to change its policy and present the income statement by function rather than by nature. It is thought that this will aid users in better understanding the profitability of the business and is more in line with other companies in this sector. It also reflects the basis adopted across the Group in subsidiary financial statements. The Group intends to continue to provide this information in future financial statements.

In addition, the following restatements to previously presented financial statements have been reflected during the preparation of the statutory accounts for the current year:

- The provisions for incomplete supplier services have been reclassified from other creditors to provisions. As such they are no longer classified as a financial liability. The expected maturity of these provisions has also been corrected to accurately reflect the timing of when settlement of the obligation is expected to occur. The amounts reclassified as provisions rather than other creditors is as follows:

	2021 £'000s	2020 £'000s
Less than one year	712	565
More than one year	480	382
<b>Total</b>	<b>1,192</b>	<b>947</b>

- The disclosure of the maturity of the refund liability and associated reimbursement asset (see note 2) has been adjusted on the basis it was inconsistent with the method of calculation. The result of this adjustment is summarised below:

	2021 £'000s	2020 £'000s
(Decrease) in re-imburement asset due in more than one year	(1,436)	(740)
Increase in re-imburement asset due in less than one year	1,436	740
Increase in refund liability due in less than one year	2,123	-
Decrease in refund liability due in more than one year	(2,123)	=

- The allocation of the deferred tax charge between continuing and discontinued operations has been corrected. This results in the tax charge relating to continuing operations being £600k lower than previously reported, and the deferred tax charge relating to discontinued operations increasing by the same amount.
- Within the consolidated and company statement of cash flows the costs associated with the raising of finance and the movements on interest accruals had been incorrectly disclosed within working capital movements rather than financing activities. Additionally, the loans made to related parties have been restated to reflect only the cash remitted rather than the gross movement on the loan (which includes non-cash elements), with the compensating amount being classified as a movement in working capital. The net impact of these restatements in the statement of cash flows is summarised below:

**MORTGAGE AND SURVEYING SERVICES LIMITED**

**Notes (continued)**

**26 Restatement of previously presented balances (continued)**

<b>Consolidated Statement of Cash flows</b>	<b>As Previously Stated £'000</b>	<b>Adjustment £'000</b>	<b>As Restated £'000</b>
Net cash generated/used in from operating activities	9,146	(2,480)	6,666
Net cash generated/used in investing activities	(11,976)	4,566	(7,410)
Net cash generated/used in from financing activities	7,711	(2,086)	5,625
<b>Net increase in cash and cash equivalents</b>	<b>4,881</b>	<b>-</b>	<b>4,881</b>
Cash and cash equivalents at the beginning of the year	3,630	-	3,630
<b>Cash and cash equivalents at the end of the year</b>	<b>8,511</b>	<b>-</b>	<b>8,511</b>
<b>Company Statement of Cash flows</b>			
	<b>As Previously Stated £'000</b>	<b>Adjustment £'000</b>	<b>As Restated £'000</b>
Net cash generated/used in from operating activities	1,429	(2,480)	(1,051)
Net cash generated/used in investing activities	(9,977)	4,566	(5,411)
Net cash generated/used in from financing activities	8,357	(2,086)	6,271
<b>Net increase in cash and cash equivalents</b>	<b>(191)</b>	<b>-</b>	<b>(191)</b>
Cash and cash equivalents at the beginning of the year	316	-	316
<b>Cash and cash equivalents at the end of the year</b>	<b>125</b>	<b>-</b>	<b>125</b>

None of the above adjustments resulted in a change to reported Net Assets, equity or net profit/loss.

## MORTGAGE AND SURVEYING SERVICES LIMITED

### Notes (continued)

#### 27 Related party transactions

Included within borrowings are amounts due to P R Gratton of £489,843 (2021: £489,269), to E A Gratton of £591,769 (2021: £591,769) and to J Bloomer of £10,333 (2021: £10,333). These carried forward balances were the maximum outstanding during the year and carry rates of interest up to 12% (2021: 12%).

P R Gratton and E A Gratton are both directors and shareholders in the Company. J Bloomer resigned from directorship on 4 December 2020 but is still a shareholder.

Included within other creditors is a loan due to P Staley of £25,833 (2021: £25,833). This brought forward balance was the maximum outstanding during the year and carries 4% interest. P Staley is a director of SDL Lettings Limited, a subsidiary company which was disposed of at the end of the prior 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 £12,695,784 (2021: £11,285,214) to Sesame Bankhall Valuation Services Limited, a company which SDL Surveying Limited has an investment in and which G Brewster is a director of. At the year end the Group was owed £1,317,737 (2021: £1,417,637) 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 £4,519 (2021: £29,501) to J & E Shepherd partnership, the Group purchased services totalling £441,403 (2021: £367,565) from the J & E Shepherd partnership. In the prior year, the group borrowed £986,774 from the J & E Shepherd partnership. At the year-end £990,685 (2021: £990,685) was owed to the J & E Shepherd partnership. In the current year SDL Surveying Limited has paid £129,199 (2021: £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)

#### 28 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. Financial assets are all carried at amortised cost.

##### *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)**

**28. 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:

Group At 31 March 2022	Accruals £'000	Leases £'000	Trade and other payables £'000	Borrowings £'000	Total £'000
6 months or less	5,191	332	5,084	2,406	13,013
6 - 12 months	-	317	-	2,406	2,723
1 - 2 years	7,025	502	-	49,471	56,998
2 - 5 years	-	449	-	-	449
More than 5 years	-	412	-	-	412
<b>Total contractual cash flows</b>	<b>12,216</b>	<b>2,012</b>	<b>5,084</b>	<b>54,283</b>	<b>73,595</b>
<b>Carrying amount</b>	<b>12,216</b>	<b>1,989</b>	<b>5,084</b>	<b>48,113</b>	<b>67,402</b>

**Company At 31 March 2022**

	Trade and other payables £'000	Accruals £'000	Borrowings £'000	Total £'000
At 31 March 2022				
6 months or less	2,381	2,935	2,406	7,722
6 - 12 months	-	-	2,406	2,406
1 - 2 years	-	7,025	49,471	56,496
2 - 5 years	-	-	-	-
More than 5 years	-	-	-	-
<b>Total contractual cash flows</b>	<b>2,381</b>	<b>9,960</b>	<b>54,283</b>	<b>66,624</b>
<b>Carrying amount</b>	<b>2,381</b>	<b>9,960</b>	<b>48,113</b>	<b>60,454</b>

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. Financial instruments - Group (continued)**

<b>Group At 31 March 2021</b>	<b>Accruals £'000</b>	<b>Leases £'000</b>	<b>Trade and other payables £'000</b>	<b>Borrowings * £'000</b>	<b>Total £'000</b>
6 months or less	2,225	266	2,327	2,406	7,224
6 - 12 months	-	244	-	2,406	2,650
1 - 2 years	-	461	-	4,812	5,273
2 - 5 years	4,471	552	-	55,041	60,064
More than 5 years	-	482	-	-	482
<b>Total contractual cash flows</b>	<b>6,696</b>	<b>2,005</b>	<b>2,327</b>	<b>64,665</b>	<b>75,693</b>
<b>Carrying amount of measured at amortised cost</b>	<b>6,696</b>	<b>1,761</b>	<b>2,327</b>	<b>54,879</b>	<b>65,663</b>

<b>Company At 31 March 2021</b>	<b>Trade and other payables £'000</b>	<b>Accruals £'000</b>	<b>Long term borrowings £'000</b>	<b>Total £'000</b>
At 31 March 2022				
6 months or less	237	68	2,406	2,711
6 - 12 months	-	-	2,406	2,406
1 - 2 years	40	-	4,812	4,852
2 - 5 years	-	4,471	55,041	59,512
More than 5 years	-	-	-	-
<b>Total contractual cash flows</b>	<b>277</b>	<b>4,539</b>	<b>64,665</b>	<b>69,481</b>
<b>Carrying amount of measured at amortised cost</b>	<b>277</b>	<b>9,960</b>	<b>54,879</b>	<b>65,116</b>

## **MORTGAGE AND SURVEYING SERVICES LIMITED**

### **Notes (continued)**

#### **29 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.

#### **30 Controlling party**

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

#### **31 Post balance sheet events**

In December 2022 the Company received credit approval to reschedule repayment of bank and shareholder debt to 31 March 2024 and beyond, providing confidence that the Group can continue to operate as planned.

In addition after the year end the Group completed the purchase of 49% of the issued share capital of Connect IFA Limited, a mortgage network, for £1.9m in cash.