

**Mortgage and Surveying Services Limited
(Formerly SDL Property Services Group Limited)**

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

31 March 2020



MORTGAGE AND SURVEYING SERVICES LIMITED

CONTENTS	PAGES
Directors and advisers	1
Strategic report	2
Directors' report	6
Statement of Directors' responsibilities	11
Independent auditor's report to the members of Mortgage and Surveying Services Limited	12
Consolidated statement of profit or loss and other comprehensive income	15
Consolidated balance sheet	16
Consolidated statement of changes in equity	17
Consolidated statement of cash flows	18
Company balance sheet	19
Company statement of cash flows	20
Company statement of changes in equity	21
Notes to the financial statements	22

MORTGAGE AND SURVEYING SERVICES LIMITED

DIRECTORS AND ADVISERS

Directors

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

Secretary

S Tuck

Registered office

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

Auditor

KPMG LLP
St Nicholas House
Park Row
Nottingham
NG1 6FQ

MORTGAGE AND SURVEYING SERVICES LIMITED

GROUP STRATEGIC REPORT

The directors present the Group Strategic Report for Mortgage and Surveying Services Group Limited ("MSS") and its subsidiary undertakings for the year ended 31 March 2020.

Introduction

MSS is a diversified, fast growing and established provider of services to the residential property sector in the UK. The Group's strategy has been to grow and develop its existing Surveying, Mortgage Broking, Property Management and Auction businesses through a mixture of organic growth and acquisition.

The Group is known for its strong focus on excellent customer service, and deploying innovation to drive customer engagement and business efficiency and manage risk.

The Group's core activities in the provision of mortgage and surveying services continued to make positive progress - gaining market share, winning new contracts and increasing numbers of both in-house surveyors and Appointed Representatives. However, trading performance was constrained by a residential property market which was depressed in the 2nd half of the year following a snap general election; uncertainties over the BREXIT process; and, during March, challenges presented by the COVID pandemic and national lockdown. On a combined basis turnover for the financial year for this part of the business fell by c2% (to £74.9 million).

The Group continued to invest in its Property Management and Auctions business but whilst the Auctions business increased turnover by c4% (to £6.0 million), Property Management turnover fell by c19% (to £9.2 million). The Board have always recognised returns from this part of the business can be more sporadic and, this year, they have been impacted by specific challenges within its Estate Management activities. At the year end, the Board had already taken a decision to seek an exit from Estate Management and, accordingly, results from these activities are shown as discontinued operations.

By their very nature, mortgage and surveying activities have different market dynamics, investment requirements, cash flows and operational returns to the other businesses in the Group. During the year, the Group sought to recognise these differing dynamics by completing a process of operationally separating its core activities, including the re-alignment of management accountability.

As with many businesses in the UK, the Group has been impacted by the COVID pandemic. Initially this had a significant impact on both trading activity and cash flows but since the lifting of the first national lockdown, quickly followed by the introduction of a temporary stamp duty holiday, trading has recovered strongly with the core businesses now operating at pre lockdown levels (despite the various local lockdowns which remain in place).

During the first national lockdown the Group sought to preserve cash flow by making use of the government furlough scheme and deferring certain creditor payments. With the post lockdown recovery, all furloughed employees were re-introduced into the business by the end of July and all creditor payments were quickly returned to agreed terms.

On 7 December 2020, the Group took on a £9.1 million loan from its existing bankers under the government CLBILS scheme and introduced £3.5 million of additional investment from its existing shareholders. Not only did this enable the settlement of all deferred creditor liabilities, it also allowed the Group to complete the disposal of its Property Management and Auction activities.

Accordingly, from December 2020, the Group consists of a collection of businesses which are solely focussed on the provision of mortgage network, panel management and surveying services. During the year ended 31 March 2020 these businesses delivered operating profits (before depreciation and amortisation) of c£10.5 million. Having invested in their operational capacity,

MORTGAGE AND SURVEYING SERVICES LIMITED

and delivery platforms, the Board are confident that these businesses are well positioned to deliver growth within a post pandemic residential property market.

Market Review

Despite the UK housing market consistently delivering an average 1.2 million transactions pa for a number of years, 2020 saw a 2% volume reduction (to c1.17 million transactions) as a direct consequence of both economic headwinds and an uncertain political environment. These marginally reduced volumes continued into the early part of 2020 before being significantly impacted by the COVID pandemic and national lockdown. Volumes have recovered since the introduction of the stamp duty holiday and are anticipated to remain buoyant until its proposed removal at the end of March 2021.

Whilst the UK property market is cyclical in nature, and the UK currently faces various challenges, there continues to a level of positive market sentiment which suggests a longer term continuance of 1.1-1.2 million transactions pa. Existing operations are currently scaled to support this level of activity with, if necessary, scope to manage a possible acceleration beyond this more recent trend.

Notwithstanding any potential short-term variations in house move volumes, the Group also benefits from a consistent level of re-mortgage activity, which represents almost 1/3rd of a total mortgage market. Furthermore, its technologies and network proposition are solely focussed on supporting an intermediary market which is becoming an increasingly important financial product distribution channel.

Mortgage Broking (Turnover: £50.6 million)

Stonebridge is one of the UK's leading mortgage networks. Although it was unable to deliver significant growth in a challenging market environment, for the current year turnover is still 24% ahead of that achieved in the year ended 31 March 2018.

More importantly, Stonebridge has grown its network which at 31 March 2020 included 684 advisors (2019: 581 advisors, 2018: 538 advisors). Despite COVID, this positive advisor growth has accelerated since the year end and Stonebridge continues to enhance its offering to further attract high quality firms into its network. This growth in network capability means the business is well positioned to capitalise on future activity levels and, more importantly, the increasing share delivered by intermediaries.

Surveying (Turnover: £24.3 million)

Our surveying business has benefited from a number of years of investment in industry-leading technology, providing a platform for increased fulfilment capacity and improved processing. This has resulted in the business being recognised for delivering best-in-class service to UK Lenders, and reducing the time to complete valuations. We continue to top supplier service league tables and our technology supported service strategy has generated increased volume commitments from several major lenders. The recent renewal of the HSBC Panel Management contract (through to 30 September 2022), recognised our service quality by appointing us as Lead Panel manager (the contract previously provided for 2 panel managers).

Throughout the initial national lockdown, and beyond, our surveying business was able to respond quickly with an innovative desktop proposition and maintain overall service levels which were significantly better than other market participants. As a consequence of this, and recent successes with contract wins, we continue to increase market share - maintaining service delivery by working closely with network partners, whilst also increasing our in-house surveying capacity.

MORTGAGE AND SURVEYING SERVICES LIMITED

Property Management (Turnover: £9.2 million)

We continued to develop the Property Management business as we looked to serve the emerging Private Rented Sector (PRS) market, which we believe will play a core part in the growth of the UK's housing stock over the next 5 years. There is significant interest in this part of the property market and, over a number of years our investment has created an infrastructure which provides this business with a solid platform for growth.

Since the year end it has become clear that this business' investment and funding requirements do not align with ambitious plans to grow core mortgage and surveying services. Accordingly, this part of the business was disposed of in December 2020.

Auctions (Turnover: £6.0 million)

Following its recent focus on the online market, our Auctions business continued to deliver positive turnover growth of 4% in a challenging market. However, as with Property Management, we concluded that this part of the business was non-core to our future plans, leading to its disposal in December 2020.

KPIs

	Year ended 31 March 2020			Year Ended 31 March 2019		
	<i>Mortgages & surveying</i>	<i>Other activities</i>	<i>Total</i>	<i>Mortgages & surveying</i>	<i>Other Activities</i>	<i>Total</i>
Revenues	74,896	9,663	84,559	76,239	8,833	85,072
EBITDA pre-exceptional	10,490	(3,460)	7,030	10,230	2,308	7,922
Staff Numbers	335	340	675	255	427	682
Total Surveying Volumes	246k	-	246k	266k	-	266k
Gross Mortgage Lending	£7.9bn	-	£7.9bn	£6.6bn	-	£6.6bn
Properties Under Management	-	27,419	27,419	-	34,676	34,676
Auction Lots Offered	-	1,910	1,910	-	2,107	2,107

Exceptional Costs

As the Group has sought to re-shape its business for the future, it has continued to incur various exceptional costs. During the current year, exceptional costs included as a part of continuing operations include:

- £6.1 million following an impairment review of intangible assets and goodwill, undertaken against the background of the post year end disposals referred to above. None of this write down is in relation to businesses which have been retained as mortgage and surveying activities;
- £2.5 million in relation to transactional, restructuring and refinancing costs incurred during the year; and
- £0.3 million in relation to a specific one off legal issue which is in the process of resolution.

MORTGAGE AND SURVEYING SERVICES LIMITED

In addition to the above there were an additional £8.8m of exceptional costs in relation to the planned disposal of the Group's Estate Management activities which are disclosed as discontinued operations. These costs include a provision for re-organisation costs and liabilities (£3.8 million) and an impairment of the carrying value of intangible assets and goodwill (£4.9 million)

Balance Sheet

Principally driven by the exceptional impairment reviews and provisions noted above, MSS's consolidated reserves and capital employed shows a significant £17.6m reduction during the year. However, following its post year end disposals and refinancing, the Board is confident that the remaining Group reflects a highly profitable and cash generative business with a funding structure, and level of shareholder support, which is appropriate for its future plans.

Principal Risks and Uncertainties

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

- The performance of the housing market is closely tied to the performance of the UK economy which, at present, is somewhat uncertain as a result of the impact of the global COVID pandemic and uncertainties surrounding the UK's exit from the European Union. Clearly these represent threats to UK GDP and unemployment rates which, in turn, could impact both housing market volumes and average prices.

Although the Group has demonstrated its ability to respond to the COVID pandemic, it remains vigilant over both its income streams, cost base and cash generation. Additionally, its recent post balance sheet fundraising has restored cash headroom which was damaged during the first national lockdown.

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

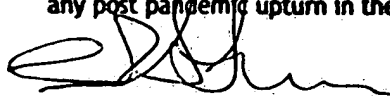
The Group has always maintained a close dialogue with its bankers and, where they have been necessary, agreed covenant relaxations or payment holidays with them in advance. As a part of the post balance sheet fundraising all financial covenants were reviewed and revised to provide headroom against the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

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

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

Conclusion

Following the restructuring and refinancing which has taken place since the year end, and the investments which it has made in expanding both capacity and capability, the Group is now a highly focussed mortgage and surveying services business which is well positioned to benefit from any post pandemic upturn in the residential property market.



Simon Jackson
29th January 2021

MORTGAGE AND SURVEYING SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 March 2020.

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 £17,592k (2019: £7,155k). This reflects a pre exceptional profit of £1,350; exceptional costs of £8,946k and a loss of £10,428k relating to discontinued operations.

As highlighted in the Strategic Report, and note 26, the business was restructured after the year end resulting in the sale of various business activities. For the year ended 31 March 2020, the retained business which is focussed on the provision of mortgage and surveying services, generated an EBITDA of £10,490k (2019: £10,230k). Given some of the market challenges experienced during the year, the Directors consider this to be a satisfactory result and are confident that the retained business now represents an appropriately funded platform for future growth. The directors have not recommended a dividend (2019: £Nil).

Directors

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

JW Bloomer, Chair (resigned 4 December 2020)
GP Brewster
R Clifford
I Downing (resigned 19 January 2021)
I Fergusson
PR Gratton
CC Hickling
NV Tamplin (resigned 4 December 2020)

The following directors were appointed:

EA Gratton - 10 March 2020
JA Hickling - 10 March 2020
SP Jackson - 10 March 2020
CJ Anderton - 10 March 2020 (resigned - 27 July 2020)
CA Wall, Chair - 4 December 2020
G Sunner - 19 January 2021

Future developments

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

Financial risk management

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

MORTGAGE AND SURVEYING SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

Subsequent events

Details of significant events after the balance sheet date are given in note 26 to the financial statements.

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 1 April 2019 to 31 March 2020

	2020
Energy consumption used to calculate emissions:	291,584 kWh
	tCO ₂ e
Emissions from combustion of gas (Scope 1)	15
Emissions from combustion of fuel for transport purposes (Scope 1)	86
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	259
Emissions from purchased electricity (Scope 2, location-based)	49
Emissions from waste disposal and recycling (Scope 3)	25
Total tonnes CO ₂ emissions based on above	<u>434</u>
Intensity ratio: tCO ₂ e (gross Scope 1 + 2) / £100,000 revenue	0.18
Intensity ratio: tCO ₂ e (gross scope 1 + 2) per employee	0.22

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 CO₂ emissions. As such a program was introduced to replace our existing fleet of petrol and diesel vehicles with electric and hybrid vehicles which should significantly reduce our greenhouse gas emissions.

MORTGAGE AND SURVEYING SERVICES LIMITED

Section 172(1) Statement and Stakeholder Engagement

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

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

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

General

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

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

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

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

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

Stakeholder Engagement

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

MORTGAGE AND SURVEYING SERVICES LIMITED

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

MORTGAGE AND SURVEYING SERVICES LIMITED

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

Disclosure of information to the auditor

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

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

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

Auditor

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

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



Simon Jackson
29th January 2021

Registered number 06055271
England and Wales

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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

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

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

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

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

Opinion

We have audited the financial statements of Mortgage and Surveying Services Limited ("the company") for the year ended 31 March 2020 which comprise the consolidated statement of profit and loss and other comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, company balance sheet, company statement of cash flows, company statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the company will continue in operation.

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

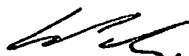
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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



Craig Parkin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ
29th January 2021

MORTGAGE AND SURVEYING SERVICES LIMITED

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

	Notes	Result before exceptional items £'000	2020 Exceptional items (note 9) £'000	Total £'000	Result before exceptional items (Restated)* £'000	2019 Exceptional items (note 9) (Restated)* £'000	Total (Restated)* £'000
Revenue	3	84,559	-	84,559	85,072	-	85,072
Other operating income		140	-	140	168	-	168
Other external charges		(55,132)	(2,798)	(57,930)	(55,962)	(1,655)	(57,617)
Staff costs	6	(22,394)	-	(22,394)	(21,144)	(249)	(21,393)
Depreciation and amortisation	4	(2,831)	(6,148)	(8,979)	(2,322)	-	(2,322)
Other operating charges		(143)	-	(143)	(212)	-	(212)
Operating Profit/(Loss)	4	4,199	(8,946)	(4,747)	5,600	(1,904)	3,696
Share of associates' and joint venture's profit/(loss)	14	99	-	99	62	-	62
Finance income	8	223	-	223	89	-	89
Finance costs	8	(3,171)	-	(3,171)	(4,507)	-	(4,507)
Profit/(Loss) before taxation		1,350	(8,946)	(7,596)	1,245	(1,904)	(659)
Taxation	10			432			26
Loss from continuing operations				(7,164)			(633)
Discontinued operations				(10,428)			(6,521)
Loss for the year				(17,592)			(7,155)

There were no recognised gains and losses for 2020 or 2019 other than those included in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

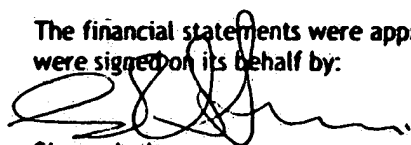
* Details of the restatement to reflect Discontinued Activities are shown in note 24.

MORTGAGE AND SURVEYING SERVICES LIMITED

CONSOLIDATED BALANCE SHEET as at 31 March

	Notes	2020 £'000	2019 £'000
Non-current assets			
Goodwill	11	23,629	33,657
Intangible assets	12	15,386	20,234
Property, plant and equipment	13	3,084	737
Investments in associates and joint ventures	14	621	522
Receivables greater than one year	15	<u>2,575</u>	<u>2,135</u>
Total non-current assets		45,295	57,285
Current assets			
Trade and other receivables	15	8,496	10,512
Assets held for sale	24	3,889	-
Cash and cash equivalents	16	<u>3,449</u>	<u>7,890</u>
Total current assets		15,834	18,402
Amounts falling due within one year			
Trade and other payables	18	(13,053)	(16,438)
Borrowings	17	(4,777)	(3,777)
Shares classed as liabilities	17	(408)	-
Liabilities associated with assets held for sale	24	(4,685)	-
Total current liabilities		(22,923)	(20,215)
Net current liabilities		(7,089)	(1,813)
Total assets less current liabilities		38,206	55,472
Amounts falling due after more than one year			
Borrowings	17	36,229	37,848
Shares classed as liabilities	17	5,426	6,217
Deferred tax liabilities	19	2,045	2,895
Other liabilities	18	<u>5,988</u>	<u>2,402</u>
Total non-current liabilities		49,688	49,362
Share capital	20	1,661	1,661
Share premium	22	7,979	7,979
Share based payment reserve	22	188	151
Capital redemption reserve	22	3,006	3,006
Merger reserve	22	976	976
Retained deficit	22	<u>(25,292)</u>	<u>(7,663)</u>
Total equity		(11,482)	6,110
Total Capital Employed		38,206	55,472

The financial statements were approved by the Board of Directors on 29th January 2021 and were signed on its behalf by:



Simon Jackson
Registered number 06055271

MORTGAGE AND SURVEYING SERVICES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2019/20

	Attributable to owners of the parent						Total	Non-controlling interest	Total equity
	Share capital	Share premium	Share based payment reserve	Capital redemption reserve	Merger reserve	Retained deficit			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	1,661	7,979	114	3,006	976	775	14,511	5,123	19,634
Loss for the year to 31 March 2019						(7,155)	(7,155)	-	(7,155)
	1,661	7,979	114	3,006	976	(6,380)	7,356	5,123	12,479
Transactions with owners:									
Acquisition of minority interest						(878)	(878)	(5,123)	(6,001)
Share option charge			37			(37)	-	-	-
Distributions to minority shareholders						(160)	(160)	-	(160)
Purchase of own shares						(208)	(208)	-	(208)
Balance at 31 March 2019	1,661	7,979	151	3,006	976	(7,663)	6,110	-	6,110
Loss for the year to 31 March 2020						(17,592)	(17,592)	-	(17,592)
	1,661	7,979	151	3,006	976	(25,255)	(11,482)	-	(11,482)
Transactions with owners:									
Share option charge			37			(37)	-	-	-
Balance at 31 March 2020	1,661	7,979	188	3,006	976	(25,292)	(11,482)	-	(11,482)

MORTGAGE AND SURVEYING SERVICES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 March

Operating activities	Notes	2020 £'000	2019 £'000 (Restated)
Operating loss		(4,747)	3,696
Discontinued operations		(10,428)	(6,521)
Depreciation and amortisation charge	12,13	3,548	2,865
Intangible impairments	11,12	11,130	2,495
Loss on disposals		66	588
Loss/(Gain) on revaluation		-	(603)
Decrease/(Increase) in receivables		688	(372)
(Decrease)/Increase in payables		1,517	707
Taxation		(135)	(22)
Cash generated from operating activities		1,639	2,833
Investing activities			
Purchases of plant and equipment	13	(705)	(309)
Additions to intangible assets	12	(832)	(1,405)
Sale of trade	24	-	1,121
Purchase of minority interest		-	(4,000)
Interest received		218	93
Loans to joint ventures		(441)	(2,135)
Net cash used in investing activities		(1,760)	(6,635)
Financing activities			
Lease liabilities		(327)	(16)
Interest paid		(2,991)	(2,746)
New borrowings		1,929	29,070
Borrowings repaid		(2,750)	(20,500)
Repurchase of own shares		-	(206)
Distributions to minority shareholders		-	(160)
Net cash (used in)/generated from financing activities		(4,139)	5,442
Net increase/(decrease) in cash and cash equivalents		(4,260)	1,640
Cash and cash equivalents at the beginning of the year		7,890	6,250
Cash and cash equivalents at the end of the year	16	3,630	7,890

MORTGAGE AND SURVEYING SERVICES LIMITED

COMPANY BALANCE SHEET as at 31 March

	Notes	2020 £'000	2019 £'000
Non-current assets			
Investments	14	36,524	49,673
Receivables more than one year	15	<u>2,575</u>	<u>2,135</u>
Total non-current assets		39,099	51,808
Current assets			
Trade and other receivables	15	4,761	10,719
Cash and cash equivalents	16	<u>316</u>	<u>3,205</u>
Total current assets		5,077	13,924
Amounts falling due within one year			
Trade and other payables	18	(2,602)	(2,805)
Borrowings	17	(4,777)	(3,777)
Shares classed as liabilities	17	<u>(408)</u>	<u>-</u>
Total current liabilities		(7,787)	(6,582)
Net current liabilities		(2,710)	7,342
Total assets less current liabilities		36,389	59,150
Amounts falling due after more than one year			
Borrowings	17	36,229	37,848
Shares classed as liabilities	17	5,426	6,217
Other liabilities	18	<u>4,506</u>	<u>1,887</u>
Total non-current liabilities		46,161	45,952
Share capital	20	1,661	1,661
Share premium	22	7,979	7,979
Share based payment reserve	22	188	151
Capital redemption reserve	22	3,006	3,006
Revaluation reserve	22	-	993
Merger reserve	22	976	976
Retained deficit		<u>(23,582)</u>	<u>(1,568)</u>
Total equity		(9,772)	13,198
		36,389	59,150

The financial statements were approved by the Board of Directors on 29th January 2021 and were signed on its behalf by:



Simon Jackson -
Registered number 06055271

MORTGAGE AND SURVEYING SERVICES LIMITED

COMPANY STATEMENT OF CASH FLOWS for the year ended 31 March

	Notes	2020 £'000	2019 £'000
Net cash used in operating activities			
Operating loss		(28,626)	(6,365)
Loss on disposal of fixed assets		-	6,294
Investment impairment		12,157	-
Loss/(Gain) on revaluation		-	(602)
Decrease/(increase) in receivables		6,412	(2,616)
Increase/(decrease) in payables		2,059	(1,156)
Share based payments		-	-
		<hr/>	<hr/>
Cash generated from/(used) in operating activities		(7,998)	(4,445)
Investing activities			
Investment in subsidiary	14	-	(7,007)
Dividends received		7,750	7,120
Disposal of subsidiary		-	914
Loans to joint ventures		(440)	(2,135)
		<hr/>	<hr/>
Net cash (used)/generated in investing activities		7,310	(1,108)
Financing activities			
Interest paid		(2,875)	(2,705)
Interest received		1,496	668
Borrowings		1,928	29,160
Repayment of borrowings		(2,750)	(20,500)
Repurchase of own shares		-	(208)
		<hr/>	<hr/>
Net cash (used in)/generated from financing activities		(2,201)	6,415
Net (decrease)/increase in cash and cash equivalents			
		(2,889)	862
Cash and cash equivalents at the beginning of the year			
		3,205	2,343
Cash and cash equivalents at the end of the year			
	16	<hr/> <u>316</u>	<hr/> <u>3,205</u>

MORTGAGE AND SURVEYING SERVICES LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2019/20

	Share capital	Share premium	Share based payment reserve	Capital redemption reserve	Revaluation reserve	Merger reserve	Retained deficit	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	1,661	7,979	114	3,006	993	976	2,228	16,957
Loss) for the year to 31 March 2019							(3,551)	(3,551)
	<u>1,661</u>	<u>7,979</u>	<u>114</u>	<u>3,006</u>	<u>993</u>	<u>976</u>	<u>(1,323)</u>	<u>13,406</u>
Transactions with owners:								
Purchase of own shares							(208)	(208)
Share option charge			37				(37)	-
Balance at 1 April 2019	<u>1,661</u>	<u>7,979</u>	<u>151</u>	<u>3,006</u>	<u>993</u>	<u>976</u>	<u>(1,568)</u>	<u>13,198</u>
Loss) for the year to 31 March 2020							(22,970)	(22,970)
Released on revaluation					(993)		993	-
	<u>1,661</u>	<u>7,979</u>	<u>151</u>	<u>3,006</u>	<u>-</u>	<u>976</u>	<u>(23,545)</u>	<u>(9,772)</u>
Transactions with owners:								
Share option charge			37				(37)	-
Balance at 31 March 2020	<u>1,661</u>	<u>7,979</u>	<u>188</u>	<u>3,006</u>	<u>-</u>	<u>976</u>	<u>(23,582)</u>	<u>(9,772)</u>

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (forming part of the financial statements)

1 Accounting Policies

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

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

Basis of preparation

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

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

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

Going concern

The group produced a loss for the year to 31 March 2020 of £17.6m and had net current liabilities and net liabilities at the end of the year of £7.1m and £11.5m respectively.

The loss for the year includes impairment charges totalling £11.1m, costs associated with the planned restructure of the group of £1.8m and costs associated with the resolution of historic problems with the Estate management division of £3.8m.

As disclosed in the post balance sheet events note, the group has restructured its operations subsequent to the year end through the sale of the majority of its property related services.

Accordingly, from 7 December 2020, the Group only includes those entities which are focussed on the provision of mortgage network, panel management and surveying services together with one entity which is a franchisor of estate agencies.

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

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

The group is funded by external bank debt and shareholder loan notes as detailed in note 17. Following the country going into lockdown in March, the directors agreed a suite of revised covenant positions with the banking syndicate that deferred required repayments in April and June 2020 and amended covenant test requirements for a number of future periods.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

1 Accounting policies (continued)

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

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

These forecasts have considered a severe but plausible downside scenario where there is a significant reduction in the volume of transactions across the housing market during 2021 and 2022.

The directors note that these forecasts were prepared over the summer and actual results over the last three months have exceeded both the base case and the downside scenario.

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

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

Changes in accounting policies and disclosures

The Group has adopted IFRS 16 Leases for the first time in these financial statements. See note 30 for details.

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

Basis of consolidation

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

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

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

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

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

1 Accounting policies (continued)

Change in subsidiary ownership and loss of control

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

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

Associates

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

Application of the equity method to associates

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

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

Business combinations and goodwill

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

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

The Group measures goodwill at the acquisition date as:

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

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

1 Accounting policies (continued)

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

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

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

Revenue recognition

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

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

In respect of revenue recognised at a point in time:

- 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;
- auction revenue is recognised at point of sale of the auction lot, usually the day of the auction. Cash is received within normal commercial terms.
- commission on the arrangement of financial services products is recognised when the mortgage completes or the insurance product starts, net of a provision for clawback. Cash is received within normal commercial terms following completion or inception;

And in respect of revenue recognised over time:

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

Share based payments

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

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.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

1 Accounting policies (continued)

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

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

Taxation

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

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

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

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

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

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

Exceptional items

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

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

1 Accounting policies (continued)

Intangible assets

Goodwill

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

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

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

Other intangible assets

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

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

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

Property, plant and equipment

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

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

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

Freehold land is not depreciated.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

1 Accounting policies (continued)

Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

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

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

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

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

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

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

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

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

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

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.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

1 Accounting policies (continued)

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.

(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).

Notes (continued)

1 Accounting policies (continued)

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.

Leases

In the current financial statements the Group has adopted IFRS 16: Leases using the modified retrospective method and therefore the comparative information has not been restated and continues to be reported under IAS 17.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

1 Accounting policies (continued)

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

As a lessee

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

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

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

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

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

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

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

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

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.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

1 Accounting policies (continued)

The application and financial impact of this accounting policy is discussed further in note 30.

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.

In the comparative year under IAS 17 leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The asset is capitalised in the balance sheet as a non-current asset at its fair value and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within payables. Rentals payable are apportioned between the finance element, which is charged to the statement of profit and loss and other comprehensive income on a straight line basis over the term of the lease, and the capital element which reduces the outstanding obligation for future instalments.

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.

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 25.

Change of company name

The Company changed its name from SDL Property Services Group Limited to Mortgage and Surveying Services Limited on 9 December 2020.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting judgements

Intangible assets

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

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

Clawback accrual

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

Unauthorised cash

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

Discount rate

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

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

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

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

Key sources of estimation uncertainty

Business valuation

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

Remediation provision

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

Bad debt provisions

The trade receivables balances recorded in the Group's balance sheet comprise a relatively small number of large balances. A full line by line review of trade receivables is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Goodwill impairment

An annual impairment review of goodwill is undertaken based on the recoverable value of each cash generating unit. This is based upon the expected future profit of each CGU and a group discount rate, both of which are subject to estimation uncertainty.

3 Analysis of turnover

The following is a description of the principal activities from which the Group generates its revenue in line with IFRS 15. For further detail on the accounting policy for the current year please see note 1, Revenue Recognition.

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

	2020 £'000	2019 £'000
Surveying	24,290	25,782
Property Management	9,146	11,271
Auctions	6,043	5,810
Mortgage Services	50,630	50,457
	<u>90,109</u>	<u>93,320</u>
Less: Discontinued operations	(5,550)	(8,248)
	<u>84,559</u>	<u>85,072</u>

All turnover arose within the United Kingdom.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

3 Analysis of turnover (continued)

Significant changes in the deferred income balance are as follows:

	Deferred income
	£'000
Brought forward	1,253
Revenue recognised that was included in deferred income at the beginning of the year	(1,009)
Increases due to cash received, excluding amounts recognised as revenue during the period	938
Carried forward	<u>1,182</u>

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date

	2021	2022	2023	2024
	£'000	£'000	£'000	£'000
	1,086	56	32	8

4	Operating profit for the period is stated after charging:	2020	2019
		£'000	£'000
			(Restated)
	Depreciation of plant and equipment (note 13)	762	252
	Amortisation (note 12)	2,031	2,123
	Intangibles impairment (note 11)	6,148	166
	Loss/(Gain) on disposals	38	(208)
	Debtor impairment	593	-
	Staff costs (note 6)	22,394	21,393
	Operating lease rentals (note 23)	-	964
	Expenses related to short-term leases	103	-
	Expenses related to low-value assets	33	-

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

5	Auditor's remuneration	2020	2019
		£'000	£'000
	Fees payable to the Company's auditor for the audit of the Group annual financial statements	28	25
	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	249	155
	• Tax compliance services	76	78
	• Other services	3	45

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

6 Staff costs

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

	2020	2019
	Number	Number
Surveying services	249	169
Property and related services	229	286
Auction services	65	47
Mortgage services	86	86
Group and administrative functions	46	94
	<hr/>	<hr/>
	675	682
	<hr/>	<hr/>
	£'000	£'000
Staff costs for the above persons were:		
Wages and salaries	23,810	24,557
Social security costs	2,426	2,586
Pension costs	767	562
	<hr/>	<hr/>
	27,003	27,705
	<hr/>	<hr/>
Less: Discontinued operations	(4,609)	(6,312)
	<hr/>	<hr/>
	22,394	21,393
	<hr/>	<hr/>

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

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

7	Directors' remuneration	2020	2019
	Directors' remuneration comprised:	£'000	£'000
	Aggregate remuneration	709	867
	Pension contributions	-	-
		<hr/>	<hr/>
		709	867
		<hr/>	<hr/>

The highest paid director received remuneration of £398,879 (2019: £463,748).

No retirement benefits accrued to directors in either the 2020 or 2019 financial year's under the Group's money purchase pension schemes. No directors exercised share options during the year.

8	Finance costs and finance income	2020	2019
		£'000	£'000
	Bank interest receivable	7	16
	Interest from joint ventures	216	73
		<hr/>	<hr/>
		223	89
	Less:		
	Finance cost on bank loans and overdrafts	(1,417)	(1,115)
	Other similar charges payable	(1,781)	(1,797)
	(Increase)/Decrease in shares classed as liabilities	384	(1,305)
	Unwinding of discount on warrants	(357)	(290)
		<hr/>	<hr/>
		(3,171)	(4,507)
		<hr/>	<hr/>
	Net finance cost	(2,948)	(4,418)
		<hr/>	<hr/>

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

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

9 Exceptional items	2020	2019
	£'000	£'000
Continuing Operations		
Increase in claims provision in respect of historic valuations	-	965
Provision for legal costs	323	-
Reorganisation costs and advisor fees	1,781	525
Refinancing costs	101	414
Impairment of amounts owed by joint ventures	593	-
Impairment of intangible assets and goodwill	6,148	-
	<u>8,946</u>	<u>1,904</u>
Discontinued Operations		
Estate management re-organisation costs	3,818	2,018
Impairment of intangible assets and goodwill	4,937	2,328
	<u>8,755</u>	<u>4,346</u>
Exceptional items	<u>17,701</u>	<u>6,250</u>

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

As a part of this planned separation, a review of the Estate Management business highlighted an increased requirement for remediation in respect of historic Estate Management liabilities. A decision to market the Estate Management business for sale was taken prior to the year end, a process which is continuing to progress with a reasonable expectation of a sale prior to the end of March 2021.

Following their operational separation it was also considered appropriate to reduce the carrying value of the goodwill with respect to various subsidiary undertakings associated with Property Management activities (as highlighted in note 26, these undertakings were sold after the balance sheet date).

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

In the prior year the Group agreed settlement of the final outstanding historic professional indemnity claim in relation to property valuations undertaken prior to 2008. This was significantly above the value expected based on previous settlements resulting in an increase in the provision.

Also in the prior year a significant increase in the Group's debt was undertaken in order to finance continued expansion plans and the funding of new, capital intensive, undertakings. This resulted in fees being incurred from the funder and associated professional advisors. See note 17 for details of this debt.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

10 Taxation	2020	2019
	£'000	£'000
Current tax		
In respect of the current year	(24)	-
Adjustment in respect of prior years	(161)	(127)
	<u>(185)</u>	<u>(127)</u>
Deferred tax		
In respect of the current year		
Origination and reversal of timing differences	(917)	114
Change in tax rate	23	-
Adjustments in respect of prior years	231	(10)
	<u>(663)</u>	<u>104</u>
Total tax credit for the year	<u>(848)</u>	<u>(23)</u>
Split as:		
Continuing operations	(432)	(26)
Discontinued operations	<u>(416)</u>	<u>3</u>

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

	2020	2019
	£'000	£'000
Profit/(loss) before taxation		
Continuing operations	(7,596)	(659)
Discontinued operations	(10,844)	(6,518)
	<u>(18,440)</u>	<u>(7,177)</u>
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%)	(3,504)	(1,364)
Effects of:		
Non-taxable income	(23)	(1,171)
Expenses not allowable for taxation	3,182	2,689
Adjustment in respect of prior years - deferred tax	231	(10)
Tax losses not previously recognised	(623)	81
Rate differences	104	(22)
Associate accounting	-	(15)
Adjustment in respect of prior years - current tax	(161)	(127)
Profits not eligible to UK tax	(39)	(38)
Other	(15)	-
Total tax (income)/expense for the year	<u>(848)</u>	<u>23</u>

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

10 Taxation (continued)

Factors that may affect future tax charges

UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset/(liability) at 31 March 2020 has been calculated at 19% (2019: 17%).

There are tax losses of £3.7m (2019: £3.4m) which have not been recognised at 31 March 2020.

11 Goodwill	2020 £'000	2019 £'000
Cost and net book amount		
Balance at beginning of year	33,657	37,570
Disposals	-	(1,586)
Impairment recognised	(10,028)	(2,327)
Balance at end of year	<u>23,629</u>	<u>33,657</u>

Goodwill by operating segment is split as follows:

	2020 £'000	2019 £'000
Surveying	10,879	10,879
Auctions	3,185	9,178
Property Management	-	4,035
Mortgage Services	9,565	9,565
	<u>23,629</u>	<u>33,657</u>

As highlighted in Note 9, as a consequence of the decision to operationally separate certain of the Group's activities, the carrying value of Goodwill in relation to certain Property Management subsidiary undertakings has been reviewed and impaired.

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

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

During the prior year the Group disposed of Humphreys of Chester Limited and part of the trade of SDL Estate Management Limited. As a result goodwill associated with these businesses has also been disposed of.

The impairment in the prior year relates to the Property Management cash generating unit. This was calculated based on the recoverable amount. Value in use was calculated using five-year forecast cash flows combined with a perpetuity based on 2% growth after this period. This was discounted to present value using an estimated cost of capital of 18%.

Included in the impairment is £6,148k (2019: £166k) that relates to continuing operations and £3,880k (2019: £2,161k) that relates to assets held for sale.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

12 Intangible assets - Group	Franchise Agreements £'000	Software £'000	Customer relationships £'000	Trade name £'000	Total £'000
Cost					
At 1 April 2018	806	4,491	19,622	100	25,019
Additions	-	1,405	-	-	1,405
Disposals	-	(21)	-	-	(21)
At 1 April 2019	<u>806</u>	<u>5,875</u>	<u>19,622</u>	<u>100</u>	<u>26,403</u>
Additions	-	832	-	-	832
Disposals	-	-	-	-	-
Reclassification	-	25	-	-	25
Impairment	-	(45)	-	-	(45)
At 31 March 2020	<u>806</u>	<u>6,687</u>	<u>19,622</u>	<u>100</u>	<u>27,215</u>
Amortisation					
At 1 April 2018	391	1,125	2,019	13	3,548
Charge for the period	28	793	1,635	8	2,464
Disposals	-	(10)	-	-	(10)
Impairment	-	167	-	-	167
At 1 April 2019	<u>419</u>	<u>2,075</u>	<u>3,654</u>	<u>21</u>	<u>6,169</u>
Charge for the period	46	842	1,635	8	2,531
Disposals	-	-	-	-	-
Reclassification	-	10	-	-	10
Impairment	-	-	1,058	-	1,058
At 31 March 2020	<u>465</u>	<u>2,927</u>	<u>6,347</u>	<u>29</u>	<u>9,768</u>
Net book value					
At 31 March 2020	<u>341</u>	<u>3,760</u>	<u>13,275</u>	<u>71</u>	<u>17,447</u>
At 31 March 2019	<u>387</u>	<u>3,800</u>	<u>15,968</u>	<u>79</u>	<u>20,234</u>

Contained within the net book value at the year end of £17,447k was £2,061k classified as held for sale, giving the balance sheet value of £15,386k. Included in the amortisation charge is £2,031k (2019: £2,123k) relating to continuing operations and £500k (2019: £313k) relating to discontinued operations.

As part of the annual impairment exercise (see note 11) it was identified that an impairment was required in relation to Property Management activities. Accordingly, a portion of the intangible assets in relation to these activities have been impaired to reduce the carrying value of the relevant net assets to the anticipated recoverable amount.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

13	Property, plant and equipment	Leasehold Improvements	Fixtures, Fittings & Equipment	Motor Vehicles	Right-of-Use Assets	Total
		£'000	£'000	£'000	£'000	£'000
	Cost					
	At 1 April 2018	39	1,218	331	-	1,588
	Additions	5	221	83	-	309
	Disposals	(24)	(284)	(50)	-	(358)
	At 1 April 2019	20	1,155	364	-	1,539
	On adoption of IFRS 16	-	-	-	3,501	3,501
	Additions	-	277	-	428	705
	Reclassification	-	339	(364)	-	(25)
	Disposals	(12)	(356)	-	(470)	(838)
	At 31 March 2020	8	1,415	-	3,459	4,882
	Depreciation					
	At 1 April 2018	26	429	216	-	671
	Charge for the period	6	329	65	-	400
	Disposals	(23)	(246)	-	-	(269)
	At 1 April 2019	9	512	281	-	802
	Charge for the period	1	294	-	722	1,017
	Reclassification	-	271	(281)	-	(10)
	Disposals	(6)	(293)	-	(32)	(331)
	At 31 March 2020	4	784	-	690	1,478
	Net book value					
	At 31 March 2020	4	631	-	2,769	3,404
	At 31 March 2019	11	643	83	-	737

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 17. Owing to their immaterial value Motor Vehicles have been included with Fixtures, Fittings & Equipment.

Contained within the net book value at the year-end of £3,404k was £320k classified as held for sale giving the balance sheet value of £3,084k. Included in the depreciation charge is £762k (2019: £252k) relating to continuing operations and £255k (2019: £148k) relating to discontinued operations.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

14 Investments

Subsidiaries

	£'000
Share of net assets of associates and joint ventures	
At 1 April 2018	460
Share of associates' profit	76
Share of joint ventures' loss	(14)
At 31 March 2019	<u>522</u>
Share of associates' profit	99
At 31 March 2020	<u><u>621</u></u>

Company	Associates and Joint Ventures	Subsidiaries	Total
	£'000	£'000	£'000
Cost and net book amount			
At 1 April 2018	490	44,898	45,388
Additions	-	11,493	11,493
Impairment	-	(6,294)	(6,294)
Disposal	-	(914)	(914)
At 31 March 2019	<u>490</u>	<u>49,183</u>	<u>49,673</u>
Impairment	-	(13,149)	(13,149)
At 31 March 2020	<u><u>490</u></u>	<u><u>36,034</u></u>	<u><u>36,524</u></u>

The investment at 1 April 2018 represents the entire ordinary share capital of SDL Surveying Limited, JV Limited, SDL Lettings Limited, Direct Lettings GP Limited, Central Lettings Solutions UK PRS GP Limited, Humphreys of Chester Limited, SDL Estate Management Limited, SDL Group Services Limited, SDL Bigwood Limited, which has seven subsidiaries, and Maurice MacNeill Iona Limited

It also includes 90% of the ordinary share capital of SDL Graham Penny Limited which has two subsidiaries. 60% of the ordinary share capital of Central Scotland West Limited, 25% of the share capital of Sesame Bankhall Valuation Services Limited, 49% of the ordinary share capital of Pure Financial Advisory Limited and 80% of the ordinary share capital of Stonebridge Mortgage Solutions Limited. Pure Financial Advisory Limited owned 100% of the ordinary share capital of Stonebridge Protect Limited and Pure Protect Limited. Stonebridge Mortgage Solutions Limited owns 100% of the share capital of Stonebridge Genus Limited, Moneyquest Mortgage Brokers Limited and Revolution Company (Essex) Limited.

The remaining 20% of the share capital of Stonebridge Mortgage Solutions Limited was acquired on 12 April 2018.

Graham Penny Limited was dissolved on 11 December 2018. On 30 November 2018 the Group disposed of 100% of the share capital of Humphreys of Chester Limited.

As part of the annual impairment review detailed in notes 9 and 11, investments in certain Property Management subsidiaries have been reduced to match their anticipated recoverable amount.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (forming part of the financial statements)

14 Investments (continued)

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

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

** as disclosed in note 26, other than Maurice MacNeill Iona Limited, these entities were sold on 7 December 2020

All of these subsidiaries have their registered office at 3&4 Regan Way, Chilwell, Nottingham, NG9 6RZ apart from; Stonebridge Mortgage Solutions Limited, which is registered at Turnpike House, 1208-1210 London Road, Leigh-on-sea, Essex, SS9 2UA; Stonebridge Genus Limited and Revolution Company (Essex) Limited, which are registered at 9 Lords Court, Basildon, SS13 1SS.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

14 Investments (continued)

Associates

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

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

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

Sesame Bankhall Valuation Services Limited	2020 £'000	2019 £'000
Current assets	4,415	4,113
Current liabilities	(3,469)	(3,057)
Net assets of associate at 31 March	<u>946</u>	<u>1,056</u>
Revenue	22,591	20,357
Profit/(Loss) for the year	(109)	196
Dividends received from the associate during the year	-	-
Profit/(Loss) attributable to parent company	(27)	49

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:

	2020 £'000	2019 £'000
Net assets of the associate	946	1,056
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	237	264

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

14 Investments (continued)

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 the immaterial associates was £257k, of which £126k (2019: £27k) 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 £381k (2019: £261k).

Details of the Group's joint venture are shown below:

Name of company	Registered address	Nature of business	% voting rights and ordinary shares held
Wise Living Homes Limited	UK	Property Development	17%

Wise Living Homes Limited is accounted for using the equity method in these consolidated financial statements. The share of losses recognised in the statement of profit and loss and other comprehensive income in respect of Wise Living Homes Limited was £Nil (2019: £14k). The carrying amount of the Groups interest in Wise Living Homes Limited was (£14k) (2019: (£14k)).

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (forming part of the financial statements)

15 Trade and other receivables	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Receivables < 1 year				
Trade receivables	2,253	4,806	-	-
Amounts owed by group undertakings	-	-	4,693	10,532
Prepayments	3,760	3,464	51	84
Financial assets	-	70	-	70
Other receivables	2,400	1,973	-	-
Other tax and social security	-	-	17	33
Corporation tax	83	199	-	-
	8,496	10,512	4,761	10,719

Receivables > 1 year

Amounts owed by joint ventures	2,575	2,135	2,575	2,135
--------------------------------	--------------	--------------	--------------	--------------

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.

Provision for impairment of trade receivables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
As at 1 April	668	280	-	-
Adjustment for IFRS 9	-	386	-	-
	668	666	-	-
Charge for the period	128	2	-	-
As at 31 March	796	668	-	-

As at 31 March 2020 trade receivables of £519k (2019: £786k) were past their due date but not impaired. The ageing analysis of trade receivables that are past due but not impaired is as follows:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Up to 3 months past due	472	430	-	-
3 to 6 months past due	47	174	-	-
6 to 12 months past due	-	90	-	-
12 months plus past due	-	92	-	-

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

16 Cash and cash equivalents	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash at bank and in hand	3,630	7,890	316	3,205
Split as:				
Cash at bank and in hand	3,449	7,890	316	3,205
Assets held for sale	181	-	-	-

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

17 Financial Liabilities	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Borrowings				
Current	4,777	3,777	4,777	3,777
Non-current	36,229	37,848	36,229	37,848
	41,006	41,625	41,006	41,625
Shares classed as liabilities				
Current	408	-	408	-
Non-current	5,426	6,217	5,426	6,217
	5,834	6,217	5,834	6,217
	46,840	47,842	46,840	47,842

Borrowings of £41,006k (2019: £41,625k) consists of gross liabilities of £43,029k (2019: £43,850k) less associated warrants and capitalised borrowing costs of £2,023k (2019: £2,225k).

Gross borrowings include £25,254k (2019: £26,075k) of bank loans; £16,685k (2019: £16,685k) due to the Business Growth Fund ("BGF"); and £1,090k (2019: £1,090k) of other loans.

Bank Loans comprise three facilities due to a combination of Clydesdale Bank plc and National Westminster Bank plc. Facility A (£13,125k) repayable by quarterly instalments with a final repayment on 30 June 2023; Facility B (£7,129k) repayable on 30 June 2023; and a Rolling Credit Facility (£5,000k) repayable on 30 June 2023. Interest on all bank loans is paid at varying rates (3.25% - 3.75%) above Bank of England 3 month LIBOR.

Amounts due to BGF include a variety of fixed rate, unsecured loan instruments. Tranche A (£5,000k) is repayable in bi-annual instalments from 30 September 2021 with a final repayment on 31 March 2024, all other tranches (£11,684k) fall due for repayment on 31 March 2025. Interest is charged at 10% across all tranches, other than a £3,000k tranche which is charged at 8%.

£7,000k of the BGF loan notes attract warrants over 3.5% of the issued share capital of the Company at the point of exercise. The value of these warrants has been treated as a separate liability (due in more than 1 year) and disclosed in Note 18.

Other loans include a variety of fixed rate, unsecured loan note instruments repayable on 31 March 2025. £1,000k of these loans attract interest at 8%, with the balance being charged at 4%.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

17 Financial Liabilities (continued)

As noted in Note 27, on 7 December 2020 the Group raised additional funding from existing bankers, BGF and other shareholders. As a part of this process, the repayment dates on Facility B and the Rolling Credit Facilities were reset to 13 September 2023, with all BGF and other loan notes now having a single repayment date of 18 Jan 2024. The interest rate on all BGF and other loan notes has also been increased to 12% from 12 December 2020.

Shares classed as liabilities are the debt element of the ordinary A shares as set out below.

On 5 February 2015 the Group entered into an arrangement with the Business Growth Fund entitling BGF to a cumulative preferential net cash dividend in respect of each financial year from and including the financial year commencing or current on 31 March 2021. The dividend is calculated as the higher of an agreed minimum fixed return and 9.3% of net profits.

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%. A further investment in shares by BGF was made under the same terms on 18 December 2015 and 25 April 2017.

The Directors consider that the carrying amount of short and long term liabilities approximates to their fair value.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (forming part of the financial statements)

18 Trade and other payables	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Amounts due in < 1 year				
Trade payables	2,419	2,683	59	118
Other tax and social security	2,037	496	-	-
Accruals and deferred income	4,126	5,649	2,342	689
Other payables	3,685	7,507	201	1,998
Deferred tax (note 19)	152	103	-	-
Lease and hire purchase liabilities	634	-	-	-
	<u>13,053</u>	<u>16,438</u>	<u>2,602</u>	<u>2,805</u>
Amounts due in > 1 year				
Other liabilities	1,808	515	-	-
Warrants outstanding	2,243	1,887	2,243	1,887
Intercompany payables	-	-	2,263	-
Lease and hire purchase liabilities	1,937	-	-	-
	<u>5,988</u>	<u>2,402</u>	<u>4,506</u>	<u>1,887</u>
	<u>18,906</u>	<u>18,840</u>	<u>7,108</u>	<u>4,692</u>

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

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

Hire purchase agreements are secured against the asset to which they relate. Following adoption of IFRS 16 the group has recognised a liability for future amounts payable in respect of operating leases. See note 30 for more details.

Other liabilities include amounts provided in respect of the estimated cost to the Group of settling claims against previous property valuations undertaken by the Group and a provision for repayment of indemnity commission, more detail of which is provided below.

Provision is made for repayment of commission to the product provider in the event that a policy may lapse before its expiration date. Given the nature of these policies it is uncertain what the number and monetary value will be of any such lapses.

Movement in the provision is shown below:

	£'000
At 1 April 2019	2,280
Movement in the year	<u>(89)</u>
At 31 March 2020	<u><u>2,191</u></u>

An asset held for the amount recoverable from advisors for any liability caused by the above is included within other debtors. As at 31 March 2020 this stood at £1,761k (2019: £1,727k) making the net liability £430k (2019: £554k).

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

19	Deferred Tax	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
	At 1 April	(2,998)	(2,894)	-	-
	Charged to the statement of profit and loss and other comprehensive income	678	(104)	-	-
	At 31 March	<u>(2,320)</u>	<u>(2,998)</u>	-	-
	Split as:				
	Deferred tax liabilities less than one year	(152)	(103)	-	-
	Deferred tax liabilities more than one year	(2,045)	(2,895)	-	-
	Liabilities associated with assets held for sale	<u>(123)</u>	-	-	-
		Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
	Accelerated capital allowances	(328)	128	-	-
	Tax losses recognised	610	(163)	-	-
	Intangible assets	<u>(2,602)</u>	<u>(2,963)</u>	-	-
	At 31 March	<u>(2,320)</u>	<u>(2,998)</u>	-	-
20	Called up share capital			2020 '000	2019 '000
	Allotted, called up and fully paid				
	Ordinary shares of £1 each			1,145	1,145
	A ordinary shares of £1 each			516	516
	G growth shares of 1p each			-	-
	H growth shares of 1p each			-	-
	J growth shares of 1p each			-	-
				<u>1,661</u>	<u>1,661</u>
	Shares classed as liabilities				
	A ordinary shares of £1 each			5,834	6,217
				<u>5,834</u>	<u>6,217</u>

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

The shares rank equally and pro-rata in respect of any dividends declared. The A ordinary shares also carry a right to a long term dividend in respect of each financial year from and including the financial year commencing or current on 31 March 2021 each to the higher of 9.3% of net profits and 10% of the amount credited as paid up on the A ordinary shares. The A ordinary shares rank first as between the Ordinary and A ordinary shares. None of the shares carry a right to be redeemed.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

20 Called up share capital (continued)

Outstanding at the start of the prior year, were 730 G Growth Shares and 1,100 H Growth Shares of £0.01 each. During the prior year the Company repurchased and cancelled 100 G shares and 510 H shares. During the current financial year the Company purchased and cancelled a further 150 G Ordinary and 60 H Ordinary shares meaning that at the end of the year, there were 480 (2019: 630) G Shares and 530 (2019: 590) H Shares in issue. The G and H shares carry no voting rights.

During the prior year the Company also issued 550 J Growth shares of £0.01 each. During the current financial year the Company repurchased and cancelled 50 J shares, meaning that at the year end 500 (2019: 550) J shares were outstanding. The J shares carry no voting rights.

21 Share based payments

In the year ended 31 March 2016 37,944 HMRC approved EMI options were issued to six employees.

	Number of share options	Weighted average exercise price
Outstanding as at 31 March 2020	37,944	£3.21
Exercisable as at 31 March 2020	-	-

The options outstanding as at 31 March 2020 had a weighted average remaining contractual life of 5 years.

The options and warrants outstanding as at 31 March 2020 had exercise prices between £1.00 and £14.23.

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:

	2020 £'000	2019 £'000
Equity settled share based payment expense	37	37

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

22 Reserves

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

Share premium

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

Share based payment reserve

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

Capital redemption reserve

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

Merger reserve

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

Retained deficit

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

23 Operating lease commitments

The Group has lease agreements in respect of properties and equipment for which the payments extend over a number of years. Following adoption of IFRS 16 these liabilities are recognised on the balance sheet with an associated asset shown in Fixed Assets. The prior year has not been restated for IFRS16. At the prior year end, the future minimum lease payments under non-cancellable leases were disclosed as follows:

	Group 2019 £'000	Company 2019 £'000
Land & Buildings		
Due:		
Within one year	432	-
Within one to five years	1,071	-
After five years	840	-
	<u>2,343</u>	<u>-</u>
	Group 2019 £'000	Company 2019 £'000
Other		
Due:		
Within one year	353	-
Within one to five years	321	-
After five years	-	-
	<u>674</u>	<u>-</u>

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

23 Operating lease commitments (continued)

	Group 2019 £'000	Company 2019 £'000
Total		
Due:		
Within one year	785	-
Within one to five years	1,392	-
After five years	840	-
	<u>3,017</u>	<u>-</u>

During the prior year £964k was recognised in the profit and loss in respect of operating leases.

24 Discontinued operations and Assets Held for Sale

During the financial year the Board agreed to dispose of the Estate Management business in its entirety and began to actively market it for sale. As a result the business is presented as an asset held for sale and a discontinued operation in these accounts. The comparative consolidated statement of profit and loss has been restated to reflect this change.

In November 2018 the Group disposed of Humphreys of Chester Limited (HoC), and then in March 2019 the Group disposed of the Southern part of its Estate Management business. The Northern part of the business was retained throughout the 2020 financial year but is shown in discontinued activities as explained above. Total proceeds received were £1,121k.

	Estate Management 2020 £'000	Estate Management 2019 £'000	HoC 2019 £'000	Total 2019 £'000
Revenue	5,550	7,771	477	8,248
Other external charges	(6,001)	(4,776)	39	(4,737)
Staff costs	(4,609)	(6,043)	(270)	(6,313)
Depreciation and amortisation	(782)	(1,056)	(272)	(1,328)
Intangible impairment	(4,982)	(2,328)	-	(2,328)
Other operating charges	(15)	(64)	-	(64)
Operating loss	<u>(10,839)</u>	<u>(6,496)</u>	<u>(26)</u>	<u>(6,522)</u>
Finance costs	(5)	3	-	3
Loss before taxation	<u>(10,844)</u>	<u>(6,493)</u>	<u>(26)</u>	<u>(6,519)</u>
Taxation	416	(3)	-	(3)
Loss for the year	<u>(10,428)</u>	<u>(6,496)</u>	<u>(26)</u>	<u>(6,522)</u>
Loss on disposal	-	-	827	827
Related tax expense	-	-	-	-
	<u>-</u>	<u>-</u>	<u>827</u>	<u>827</u>

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

24 Discontinued operations and Assets Held for Sale (cont.)

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

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

25 Related party transactions

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

Included within borrowings are amounts due to P R Gratton of £400,000 (2019: £400,000), to E Gratton of £500,000 (2019: £500,000). These carried forward balances were the maximum outstanding during the year and carry rates of interest up to 8%.

P R Gratton and E Gratton are both directors and shareholders in the Company.

Included within other creditors is a loan due to P Staley of £89,991 (2019: £89,991). This carried forward balance was the maximum outstanding during the year and from 5th February 2018 carries 4% interest. P Staley is a director of SDL Lettings Limited, a subsidiary company.

Included within borrowings are amounts owed to BGF, a shareholder in the Company. Details of these borrowings are included in note 17.

During the year the Group invoiced management charges and other recharges of £10,268,806 (2019: £10,200,828) to Sesame Bankhall Valuation Services Limited, a company in which SDL Surveying Limited has an investment and in which G Brewster is a director. At the year end the Group was owed £1,036,115 (2019: £923,031) 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 SDL Property Services Group Limited. During the year the Group invoiced management charges and other recharges of £42,000 (2019: £42,000) to J & E Shepherd partnership. In addition the Group purchased services totalling £563,632 (2019: £743,896) from the J & E Shepherd partnership. At the year-end £84,679 (2019: £43,169) was owed to the J & E Shepherd partnership. In the current year SDL Surveying Limited has paid £120,000 (2019: £120,000) to J&E Nominees

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

25 Related party transactions (continued)

Ltd for the lease on 3&4 and 17 Regan Way. All transactions with J & E Shepherd were at market value.

During the year Stonebridge Mortgage Solutions Limited paid rent of £36,000 (2019: £36,000) to Adams Property Investment Ltd. R Adams was a director of both companies during the financial year.

26 Subsequent events

On 7 December 2020, the company took out an additional loan for £9.1 million from its existing bankers and entered into further loan note instruments for £3.55 million with BGF and other shareholders. All of these loans fall due for repayment on or after September 2023 and, as a part of this fundraising process, existing banking covenants were reviewed and revised.

The additional funds raised have been utilised to settle deferred liabilities (which were incurred during the initial Covid lock down), provide growth capital support and provide additional working capital headroom.

On the same date, the Group also restructured its operations through the sale of the majority of its Property Management services to two separate statutory entities which are under common shareholder control.

Accordingly, from 7 December 2020, the Group only includes those entities which are focussed on the provision of mortgage network, panel management and surveying services together with one entity which is a franchisor of estate agencies. Subject to certain conditions having been met by 31 March 2021, there is a legal obligation to sell the franchisor of estate agencies.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (forming part of the financial statements)

27 Financial instruments - Group

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

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

Credit risk

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

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

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

Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash and cash equivalents which earn interest at a variable rate.

To reduce the Group's exposure to movements in interest rates, at the start of the prior year the Group was party to an interest rate hedge covering £8.5m of the variable rate bank borrowings. This instrument contains a floor (with reference to 3 month LIBOR) at 0.25%, and a cap at 1.5%, effectively protecting £8.5m of exposure against any rises in 3 month LIBOR above 1.5%.

Following the refinancing in the prior year this was replaced by an interest rate hedge covering £17.5m of the variable rate bank borrowings. This instrument contains a floor (with reference to 3 month LIBOR) at 0.75%, and a cap at 2.0%, effectively protecting £17.5m of exposure against any rises in 3 month LIBOR above 2.0%.

The Group's cash and cash equivalents earned interest at a variable rate of 0.10% during the year (2019: 0.15%).

As at 31 March 2020, if LIBOR has increased by 0.5% with all other variables held constant, the post-tax profit and equity would have been lower by £96k (2019: £100k). Conversely if LIBOR had fallen by 0.5% with all other variables held constant, the post-tax profit and equity would have been higher by £32k (2019: £60k).

Details of the terms of the Group's borrowings are disclosed in note 17.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

27 Financial instruments - Group (continued)

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.

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

	Trade payables £'000	Long term borrowings* £'000	Total £'000
At 31 March 2020			
6 months or less	2,654	2,903	5,557
6 - 12 months	-	1,875	1,875
1 - 2 years	-	3,750	3,750
2 - 5 years	-	26,501	26,501
More than 5 years	-	8,000	8,000
Total contractual cash flows	2,654	43,029	45,683
Carrying amount of financial liabilities measured at amortised cost	2,654	41,006	43,660

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

27 Financial instruments - Group (continued)

	Trade payables £'000	Long term borrowings* £'000	Total £'000
At 31 March 2019			
6 months or less	2,386	1,902	4,288
6 - 12 months	-	1,875	1,875
1 - 2 years	-	3,750	3,750
2 - 5 years	-	28,323	28,323
More than 5 years	-	8,000	8,000
	<hr/>	<hr/>	<hr/>
Total contractual cash flows	2,386	43,850	46,236
	<hr/>	<hr/>	<hr/>
Carrying amount of financial liabilities measured at amortised cost	2,386	43,850	46,236
	<hr/>	<hr/>	<hr/>

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

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

*These payments are conditional on the Group meeting certain ratios. The Group does not expect to make these payments and as such some borrowings have been disclosed as greater than one year.

28 Capital risk management

The Group's objectives when managing capital are:

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

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

29 Controlling party

In the opinion of the directors of SDL Property Services Group Limited there is no ultimate controlling party.

30 Change in accounting policy

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these financial statements.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

30 Change in accounting policy (continued)

The Group has adopted IFRS 16 with a date of initial application of 1 April 2019. The requirements of IFRS 16 represent a significant change from IAS 17 *Leases*.

Transition

The Group has applied IFRS 16 using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

Previously the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1. On transition to IFRS 16, the Group elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases which were previously classified as operating - i.e. these leases are on-balance sheet.

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the borrowing rate associated with the risk of that category of assets in the lease as at 1 April 2019 (see note 20).

Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (i.e. assets or liabilities with a value of less than £5,000);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

For leases in place at transition the discount rates have been calculated based on the risk of the lease, giving a range of rates between 4.5% and 5% which have been applied to leases with reasonably similar characteristics, such as property, cars and IT equipment.

MORTGAGE AND SURVEYING SERVICES LIMITED

Notes (continued)

30 Change in accounting policy (continued)

Leases classified as finance leases under IAS 17

For these finance leases, the carrying amount of the right-of-use asset was determined at the carrying amount of the lease asset under IAS 17 at 31 March 2019. There was no change made to the lease liability.

The following table summarises the quantitative impact of adopting IFRS 16 on the Group's financial statements for the year ending 31 March 2020.

	As reported	Adjust ments	Balances without adoption of IFRS 16
	£'000	£'000	£'000
Property, plant and equipment	2,945	(2,244)	701
Trade and other payables	(15,759)	366	(15,393)
Other liabilities greater than one year	(7,658)	1,869	(5,789)
Retained earnings	(26,206)	18	(26,188)

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 as at 31 March 2019 in the Group's financial statements and the lease liabilities would have been recognised at 1 April 2019.

	1 April 2019 £'000
Operating lease commitments at 31 March 2019 as disclosed under IAS 17 (note 23)	3,017
Discounted using the interest rate implicit in the lease at 1 April 2019	3,011
Recognition exemption for short-term leases	(68)
Recognition exemption for leases of low-value assets	(31)
Lease liabilities which would have been recognised as at 1 April 2019	2,912