

Mortgage Brain Holdings Limited
Financial Statements
31 March 2022



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COMPANIES HOUSE

COVENEY NICHOLLS PARTNERSHIP LLP

Chartered accountants & statutory auditor

The Old Wheel House

31/37 Church Street

Reigate

Surrey

UK

RH2 0AD

Mortgage Brain Holdings Limited

Financial Statements

Year ended 31 March 2022

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Mortgage Brain Holdings Limited

Strategic Report

Year ended 31 March 2022

The directors present their strategic report for the year ended 31 March 2022.

Review of the Business & Key Performance Indicators

A summary of the Group's trading during the year is shown in the Consolidated Statement of Comprehensive Income on page 11.

The companies within the Group provide the United Kingdom mortgage intermediary and lender market with point of sale compliance, mortgage sourcing, client management, and mortgage application technology solutions alongside associated events, publications and associated services.

Our long-term strategic aim is to deliver consistent year on year earnings growth to deliver value to our shareholders. In order to do this, we must:

1. Maintain our position as the leading provider of technology solutions to support the requirements of Mortgage Introducers and Lenders.
2. Develop and deliver innovative product and data solutions for the mortgage industry.
3. Strengthen and grow the business through continuous innovation and expansion of the products and services into new and associated markets through a combination of organic growth and joint ventures/acquisitions in existing and aligned markets.
4. Remain synonymous with the delivery of insightful and valuable events and the distribution of well researched, thought provoking and business critical daily news.

The Directors are pleased with the results for the year as the Group and economy begins to emerge from the COVID-19 pandemic. The financial year ended 31 March 2022 saw the Group record a net profit of £1,338,169 (period ended 31 March 2021: loss of £2,478,630). Turnover was £13,385,634 (2021: £10,777,081) and operating profit was £595,220 (2021: operating loss of £2,238,625). The turnover growth of £2,608,553 includes turnover growth of £1,608,790 at AE3 Media Limited that arose as government released COVID-19 restrictions, which impacted events businesses severely.

As with prior years, the Group has invested considerably in the development of its software platforms. In addition, the Group acquired Mortgage Engine Limited in March 2022. The Group continues to expense all development expenditure in accordance with Financial Reporting Standard 102 'The Financial Reporting Standards applicable in the UK and Republic of Ireland' (FRS102).

Future developments

The Group will continue to develop products and services that serve the existing customer base, leveraging the Group's brand that is known as the trusted provider of technology, data and events to the mortgage market in the United Kingdom. The coming years will see significantly increased investment in our service offering. In addition, the Group will seize acquisition opportunities when they align with the long-term strategic aim and objectives of the Group.

Regulatory issues

The Group continues to operate in an area experiencing considerable regulatory change. These provide the Group with several opportunities and the Directors believe that planned product developments will enjoy success in this changing environment.

Environmental impact

The Group works to reduce its carbon footprint by promoting paperless processes and recycling.

Mortgage Brain Holdings Limited

Strategic Report (*continued*)

Year ended 31 March 2022

Dividends

The Directors do not recommend a final dividend (year ended 31 March 2021: £nil).

Principal risks

The principal risk facing the business is the ever-changing market conditions. This risk is mitigated by the continuous investment in innovation, migration of our services into the cloud and enhancement of our end-to-end proposition.


Key Performance Indicators

The Directors consider turnover and EBITDA* to be the key performance indicators. These indicators are monitored at least monthly and were as follows in the financial year:

	2022	2021
	£	£
Turnover	13,386,459	10,777,081
EBITDA*	1,051,831	474,748

*EBITDA is calculated by adding back depreciation, amortisation and goodwill impairments to operating profit/loss.

This report was approved by the board of directors on 30 November 2022 and signed on behalf of the board by:


Alastair Brown (Nov 30, 2022 11:30 GMT)

A C G Brown
Director

Registered office:
6 The Courtyard
Buntsford Gate
Buntsford Drive
Bromsgrove
Worcestershire
UK
B60 3DJ

Mortgage Brain Holdings Limited

Directors' Report

Year ended 31 March 2022

The directors present their report and the financial statements of the group for the year ended 31 March 2022.

Directors

The directors who served the company during the year were as follows:

J G Gibbons	
C P Calder	
I G Andrew	
T S Birha	(Resigned 30 April 2022)
P A Hill	
K B Deegan	(Resigned 31 May 2022)
N G Wyatt	
M S J Daly	
I J Cartilidge	
Z Bilgrami	
A C G Brown	(Appointed 22 February 2022)
M Lofthouse	(Resigned 27 April 2021)
A Ferguson	(Resigned 1 January 2022)
N G J Walford	(Resigned 28 September 2021)

Dividends

The directors do not recommend the payment of a dividend.

Mortgage Brain Holdings Limited

Directors' Report *(continued)*

Year ended 31 March 2022

Financial instruments

The Group's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The group seeks to limit the adverse effects of these on the financial performance of the group by monitoring levels of debt finance and the related finance costs. The Group does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

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 Group's finance department.

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to a pre-approval by the Board of Directors. The amount of exposure to any individual counterparty is subject to a limit, set by the finance department.

Liquidity risk

The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a variable rate. The Group has debt at a variable rate of interest but this is not considered to give rise to an undue level of cash flow risk. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 30 to the financial statements.

Disclosure of information in the strategic report

A fair review of the Company's business, future developments and an assessment of the principal risks and uncertainties is included in the strategic report.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

Mortgage Brain Holdings Limited

Directors' Report *(continued)*

Year ended 31 March 2022

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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


Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 30 November 2022 and signed on behalf of the board by:


Alastair Brown (Nov 30, 2022 11:30 GMT)

A C G Brown
Director

Registered office:
6 The Courtyard
Buntsford Gate
Buntsford Drive
Bromsgrove
Worcestershire
UK
B60 3DJ

Mortgage Brain Holdings Limited

Independent Auditor's Report to the Members of Mortgage Brain Holdings Limited

Year ended 31 March 2022

Opinion

We have audited the financial statements of Mortgage Brain Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Mortgage Brain Holdings Limited

Independent Auditor's Report to the Members of Mortgage Brain Holdings Limited *(continued)*

Year ended 31 March 2022

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Mortgage Brain Holdings Limited

Independent Auditor's Report to the Members of Mortgage Brain Holdings Limited *(continued)*

Year ended 31 March 2022

Responsibilities of directors

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

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

Mortgage Brain Holdings Limited

Independent Auditor's Report to the Members of Mortgage Brain Holdings Limited *(continued)*

Year ended 31 March 2022

Auditor's responsibilities for the audit of the financial statements

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

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

Capability of the audit in detecting irregularities, including fraud:

Based on our understanding of the company and the legal and regulatory frameworks in which it operates, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect in the financial statements but compliance with which may be fundamental to the Company's ability to operate or avoid a material penalty. These included the company's operating licence, regulatory requirements and environmental regulations.

We communicated identified law and regulation throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentive and opportunities for fraudulent manipulation of the Financial Statements, including the risk of override of control(s), and determined that the principal risks were related to posting inappropriate journal entries, accelerated revenue recognition and management bias in accounting estimates.

Audit procedures performed by the engagement team included:

- Discussions with management, and obtaining written representations, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Tests of detail on revenue recognition and occurrence, particularly around the year end;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to revenue recognition and business combinations;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;

There are inherent limitations in the audit procedures described above, and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Mortgage Brain Holdings Limited

Independent Auditor's Report to the Members of Mortgage Brain Holdings Limited *(continued)*

Year ended 31 March 2022


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

Use of our report

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

MR J N KELLY (Senior Statutory Auditor)

For and on behalf of
Coveney Nicholls Partnership LLP
Chartered accountants & statutory auditor


The Old Wheel House
31/37 Church Street
Reigate
Surrey
UK
RH2 0AD

30-11-22

Mortgage Brain Holdings Limited
Consolidated Statement of Comprehensive Income
Year ended 31 March 2022


	Note	2022 £	2021 £
Turnover	4	13,385,634	10,777,081
Other operating income	5	27,150	529,050
		<u>13,412,784</u>	<u>11,306,131</u>
Consumables		(1,906,302)	(842,790)
Staff costs	8	(8,808,768)	(8,675,927)
Depreciation and other amounts written off tangible and intangible fixed assets		(447,693)	(810,308)
Other operating expenses		(1,654,801)	(1,312,666)
Impairment of goodwill		–	(1,903,065)
Operating profit/(loss)	6	<u>595,220</u>	<u>(2,238,625)</u>
Other interest receivable and similar income	10	23	193
Interest payable and similar expenses	11	(78,444)	(78,583)
Profit/(loss) before taxation		<u>516,799</u>	<u>(2,317,015)</u>
Tax on profit/(loss)	12	821,370	(161,615)
Profit/(loss) for the financial year and total comprehensive income		<u><u>1,338,169</u></u>	<u><u>(2,478,630)</u></u>

All the activities of the group are from continuing operations.

Mortgage Brain Holdings Limited
Consolidated Statement of Financial Position
31 March 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	2,362,063	2,015,590
Tangible assets	14	4,238,368	4,258,957
		<u>6,600,431</u>	<u>6,274,547</u>
Current assets			
Debtors	16	4,066,082	2,038,558
Cash at bank and in hand		6,801,590	7,978,647
		<u>10,867,672</u>	<u>10,017,205</u>
Creditors: amounts falling due within one year	17	<u>(5,990,308)</u>	<u>(5,661,733)</u>
Net current assets		<u>4,877,364</u>	<u>4,355,472</u>
Total assets less current liabilities		<u>11,477,795</u>	<u>10,630,019</u>
Creditors: amounts falling due after more than one year	18	(3,159,307)	(3,548,653)
Provisions	19	<u>(611,763)</u>	<u>(712,810)</u>
Net assets		<u><u>7,706,725</u></u>	<u><u>6,368,556</u></u>
Capital and reserves			
Called up share capital	25	110	110
Share premium account	26	119,690	119,690
Reserve for own shares	26	(119,700)	(119,700)
Profit and loss account	26	7,706,625	6,368,456
Shareholders funds		<u><u>7,706,725</u></u>	<u><u>6,368,556</u></u>

These financial statements were approved by the board of directors and authorised for issue on 30 November 2022, and are signed on behalf of the board by:


 A C G Brown (Nov 30, 2022 11:30 GMT)

A C G Brown
 Director


Company registration number: 3887371

Mortgage Brain Holdings Limited
Company Statement of Financial Position
31 March 2022

	Note	2022 £	2021 £
Fixed assets			
Investments	15	17,075,848	16,388,513
Current assets			
Debtors	16	178,671	178,671
Cash at bank and in hand		604	604
		<u>179,275</u>	<u>179,275</u>
Creditors: amounts falling due within one year	17	(17,817,922)	(17,356,191)
Net current liabilities		<u>(17,638,647)</u>	<u>(17,176,916)</u>
Total assets less current liabilities		<u>(562,799)</u>	<u>(788,403)</u>
Creditors: amounts falling due after more than one year	18	(335,408)	–
Provisions	19	<u>(589,522)</u>	<u>(691,636)</u>
Net liabilities		<u>(1,487,729)</u>	<u>(1,480,039)</u>
Capital and reserves			
Called up share capital	25	110	110
Share premium account	26	119,690	119,690
Reserve for own shares	26	(119,700)	(119,700)
Profit and loss account	26	<u>(1,487,829)</u>	<u>(1,480,139)</u>
Shareholders deficit		<u>(1,487,729)</u>	<u>(1,480,039)</u>

The loss for the financial year of the parent company was £7,690 (2021: £1,525,804).

These financial statements were approved by the board of directors and authorised for issue on 30 November 2022, and are signed on behalf of the board by:


Alastair Brown (Nov 30, 2022 11:30 GMT)

A C G Brown
Director

Company registration number: 3887371

Mortgage Brain Holdings Limited
Consolidated Statement of Changes in Equity
Year ended 31 March 2022

	Called up share capital £	Share premium account £	Reserve for own shares £	Profit and loss account £	Total £
At 1 April 2020	110	119,690	(119,700)	8,847,086	8,847,186
Loss for the year	—	—	—	(2,478,630)	(2,478,630)
Total comprehensive income for the year	—	—	—	(2,478,630)	(2,478,630)
At 31 March 2021	110	119,690	(119,700)	6,368,456	6,368,556
Profit for the year	—	—	—	1,338,169	1,338,169
Total comprehensive income for the year	—	—	—	1,338,169	1,338,169
At 31 March 2022	<u>110</u>	<u>119,690</u>	<u>(119,700)</u>	<u>7,706,625</u>	<u>7,706,725</u>

The notes on pages 17 to 43 form part of these financial statements.

Mortgage Brain Holdings Limited
Company Statement of Changes in Equity
Year ended 31 March 2022

	Called up share capital £	Share premium account £	Reserve for own shares £	Profit and loss account £	Total £
At 1 April 2020	110	119,690	(119,700)	45,665	45,765
Loss for the year	—	—	—	(1,525,804)	(1,525,804)
Total comprehensive income for the year	—	—	—	(1,525,804)	(1,525,804)
At 31 March 2021	110	119,690	(119,700)	(1,480,139)	(1,480,039)
Loss for the year	—	—	—	(7,690)	(7,690)
Total comprehensive income for the year	—	—	—	(7,690)	(7,690)
At 31 March 2022	<u>110</u>	<u>119,690</u>	<u>(119,700)</u>	<u>(1,487,829)</u>	<u>(1,487,729)</u>

The notes on pages 17 to 43 form part of these financial statements.

Mortgage Brain Holdings Limited
Consolidated Statement of Cash Flows
Year ended 31 March 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit/(loss) for the financial year	1,338,169	(2,478,630)
<i>Adjustments for:</i>		
Depreciation of tangible assets	112,876	140,894
Amortisation of intangible assets	334,817	669,414
Impairment of intangible assets	–	1,903,065
Government grant income	(27,150)	(529,050)
Other interest receivable and similar income	(23)	(193)
Interest payable and similar expenses	78,444	78,583
Decrease in liability of cash-settled share-based payments	–	(883,572)
Tax on loss	(821,370)	161,615
<i>Changes in:</i>		
Stocks	–	58,074
Trade and other debtors	(1,062,746)	1,153,496
Trade and other creditors	(410,498)	678,364
Cash generated from operations	(457,481)	952,060
Interest paid	(68,950)	(64,601)
Interest received	23	193
Tax paid	(4,498)	–
Net cash (used in)/from operating activities	<u>(530,906)</u>	<u>887,652</u>
Cash flows from investing activities		
Purchase of tangible assets	(86,049)	(77,377)
Acquisition of subsidiaries	38,577	–
Payment of deferred and contingent consideration	(52,925)	(2,600,000)
Net cash used in investing activities	<u>(100,397)</u>	<u>(2,677,377)</u>
Cash flows from financing activities		
Proceeds from borrowings	–	3,000,000
Repayments of borrowings	(422,904)	(159,635)
Government grant income	27,150	529,050
Dividends paid	(150,000)	(150,000)
Net cash (used in)/from financing activities	<u>(545,754)</u>	<u>3,219,415</u>
Net (decrease)/increase in cash and cash equivalents	(1,177,057)	1,429,690
Cash and cash equivalents at beginning of year	<u>7,978,647</u>	<u>6,548,957</u>
Cash and cash equivalents at end of year	<u>6,801,590</u>	<u>7,978,647</u>

The notes on pages 17 to 43 form part of these financial statements.

Mortgage Brain Holdings Limited

Notes to the Financial Statements

Year ended 31 March 2022

1. General information

The Company is a private company limited by shares, registered in England and Wales. The address of the registered office is 6 The Courtyard, Buntsford Gate, Buntsford Drive, Bromsgrove, Worcestershire, B60 3DJ, UK.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

The Company is a private limited company registered in England and Wales.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

During the period the company changed its income statement format from type 1 to type 2 meaning the comparative figures are not in the same format as previously reported.

Employee benefits

Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Going concern

After making enquiries, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Projections prepared by the Directors demonstrate that the Company and Group have sufficient cash to enable the group to finance the considerable investment that is being made into the product and service offering, meeting its liabilities as they fall due for payment and as such the going concern basis of preparation is appropriate. In making this assessment, the Directors have considered a period of at least 12 months from the date of authorising these financial statements. The Directors acknowledge that there can be no certainty over future events, although at the date of approval of these financial statements, they have no reason to believe that the group will not perform as expected.

Mortgage Brain Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 31 March 2022

3. Accounting policies *(continued)*

Research and development

Research and development costs are written off as incurred.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102 in relation to the company results:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company on the basis that the group cashflow statement includes the company's cash flows in its own consolidated cash flow statement.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of the Group and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income.

The Group has established an employee benefit trust ('EBT') to facilitate the share option schemes describe in note 22 to the financial statements. It is the sponsoring entity and therefore, notwithstanding the legal duties of the trustees, the Group considers that it has 'de facto' control of such entities. Such arrangements are accounted for as assets and liabilities of the sponsoring company and included in the consolidated financial statements as appropriate. The Company's equity instruments held by the EBT are accounted for as if they were the Company's own equity and are treated as treasury shares. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the Company's own equity held by the EBT.

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Cash settled share based payments

In determining the present value of the liability for cash settled share based payments, certain judgements have to be made in determining the likely exercise dates and number of leavers over the course of the scheme.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of goodwill

The Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cashflows. No impairment charge has been recorded during the year.

Cash settled share based payments

In determining the present value of the liability for cash settled share based payments, certain estimates have to be made regarding the future performance of the Group over several years. Based on these estimates extending through to the year ended 31 March 2025, it is currently estimated that the outstanding share options have a fair value of zero.

Contingent consideration payable on acquisition of Mortgage Engine Limited

In February 2022, the Company acquired 100% of Mortgage Engine Limited. The SPA dictated that the whole of the consideration payable is contingent. There are two types of contingent consideration.

The first is a revenue based contingent consideration, under which a percentage of revenue generated by the acquiree during the period through to 31 December 2025 is payable to the seller. This consideration is not capped and has no minimum value.

The second is a contingent consideration payable to the seller based on the value of mortgage application completions processed through the acquiree's software product during the period 1 January 2025 to 31 December 2025. This consideration is capped at £3,000,000 and has no

Mortgage Brain Holdings Limited
Notes to the Financial Statements (continued)
Year ended 31 March 2022

3. Accounting policies (continued)

minimum value. It increases in £500,000 increments based on certain targets.

Management has had to make a number of estimates and assumptions in building a financial model to calculate the fair value of the contingent consideration payable as at the reporting date and it is likely this estimate will need to be revised at each reporting date. It is not possible to disclose all potential outcomes to this estimation uncertainty but the table below discloses how sensitive the estimated consideration and net present value of the provision would be to incremental changes to the key input to the model.

	Revenue based contingent consideration £	Other contingent consideration £	Net present value of contingent provision £	Net book value of goodwill £
Estimate as recorded	304,599	500,000	589,522	690,288
50% decrease to input	152,299	-	116,326	215,776
10% decrease to input	274,139	-	209,387	308,914
10% increase to input	335,058	500,000	612,787	712,648
50% increase to input	456,898	1,000,000	1,062,717	1,162,950
100% increase to input	609,197	1,000,000	1,179,044	1,279,373

In order for the other deferred consideration to reach its cap of £3,000,000 there would have to be a 518% increase in the key input. Were there to be such an increase to the input the total estimated consideration would be £4,983,100, the present value of which would be £3,623,690 at the reporting date.

It is likely this estimate will cause a material variance to the carrying value of the goodwill in note 13 and the provision in note 19.

Management have also applied a 9% discount rate to the estimated contingent consideration. To the extent an alternative discount rate were to be used, this also has a potential to cause a material deviation to the present value of the contingent consideration payable.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Impairment of trade debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

Revenue recognition

The turnover shown in the profit and loss account represents amounts receivable for services provided to customers exclusive of value added tax.

Technology business

Annual contracts are credited to turnover in equal monthly instalments over the period of the contract. In respect of long term contracts, turnover is calculated by reference to the value of the work performed to date as a proportion of the total contract value. Provision is made for the full amount of foreseeable losses.

Events revenue

Turnover and direct costs in relation to events are recognised in full upon completion of the event.

Advertising revenue

Turnover in relation to advertising space is recognised in full when the advert goes live.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

Income tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are only recognised separately from goodwill when they arise from contractual or other legal rights, are separable, the expected future economic benefits are probable and the cost or value can be measured reliably.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	Five to ten years straight line
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If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

Freehold property	-	Building depreciated over 75 years
Freehold property improvements	-	Three to ten years straight line
Short leasehold property improvements	-	Straight line over course of lease
Fixtures and fittings	-	Three to five years straight line
Equipment	-	Three years straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

The share capital is the only financial instrument of the company that possesses the characteristics of an equity instrument. No changes to the classification of any financial instrument has occurred in the current or previous year. Dividends and distributions relating to equity instruments are debited direct to equity.

Defined contribution plans

The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the group. The annual contributions payable are charged to the Profit and Loss Account.

Share-based payments

Group

The Group issues cash-settled share-based payments to certain employees (including Directors) of the trading companies of the Group.

Cash settled share-based payments are measured at fair value at the balance sheet date. The Group recognises a liability at the balance sheet date based on these fair values taking into account the estimated number of options that will actually vest and the current proportion of the vesting period. Changes in the value of this liability are recognised in the income statement.

Company

The company has no employees and thus there is no charge in the income statement for share-based payment payments. The charge for share-based payments has been recognised as an increase in the cost of investment in subsidiaries.

Mortgage Brain Holdings Limited**Notes to the Financial Statements** *(continued)***Year ended 31 March 2022****3. Accounting policies** *(continued)***Business combinations**

Business combinations are accounted for using the purchase method.

The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

Where control is achieved in stages, the cost of the business combination is the aggregate of the fair values of the assets given, liabilities incurred or assumed, and equity instruments issued at the date of each transaction in the series.

Where the business combination requires an adjustment to the cost contingent on future events, the estimated amount of that adjustment is included in the cost of the combination at the acquisition date providing it is probable and can be measured reliably. Where it is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration is treated as an adjustment to the cost of the combination. If such expected future events do not occur, or the estimate needs to be revised, the cost of the business combination is adjusted accordingly. The unwinding of any discounting is recognised as a finance cost in profit or loss in the period it arises.

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

4. Turnover

Turnover arises from:

	2022 £	2021 £
Rendering of services	13,240,876	10,647,153
Commissions	144,758	129,928
	<u>13,385,634</u>	<u>10,777,081</u>

The whole of the turnover is attributable to the principal activity of the Group wholly undertaken in the United Kingdom.

5. Other operating income

	2022 £	2021 £
Government grant income	<u>27,150</u>	<u>529,050</u>

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2022 £	2021 £
Impairment of trade debtors	49,075	–
Cash-settled share-based payments expense	–	(9,494)
Operating lease rentals	<u>104,707</u>	<u>–</u>

7. Auditor's remuneration

	2022 £	2021 £
Fees payable for the audit of the financial statements	<u>32,990</u>	<u>32,060</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	<u>3,385</u>	<u>3,230</u>

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

8. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2022 No.	2021 No.
Administrative staff	113	128
Management staff	6	6
	<u>119</u>	<u>134</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2022 £	2021 £
Wages and salaries	7,298,809	7,181,030
Social security costs	872,949	786,497
Other pension costs	637,010	708,400
	<u>8,808,768</u>	<u>8,675,927</u>

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2022 £	2021 £
Remuneration	1,298,336	1,009,601
Company contributions to defined contribution pension plans	150,487	116,673
Compensation for loss of office	70,000	—
	<u>1,518,823</u>	<u>1,126,274</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2022 No.	2021 No.
Defined contribution plans	<u>5</u>	<u>5</u>

The number of directors who exercised share options and received shares under a long term incentive scheme during the year was as follows:

	2022 No.	2021 No.
Directors who exercised share options	—	1
Directors who received shares under a long term incentive scheme	<u>—</u>	<u>2</u>

Remuneration of the highest paid director in respect of qualifying services:

	2022 £	2021 £
Aggregate remuneration	379,152	280,681
Company contributions to defined contribution pension plans	—	17,672
	<u>379,152</u>	<u>298,353</u>

Mortgage Brain Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 31 March 2022

10. Other interest receivable and similar income

	2022	2021
	£	£
Interest on cash and cash equivalents	<u>23</u>	<u>193</u>

11. Interest payable and similar expenses

	2022	2021
	£	£
Interest on banks loans and overdrafts	68,950	64,601
Unwinding of discount on provisions	4,389	10,942
Other interest payable and similar charges	<u>5,105</u>	<u>3,040</u>
	<u>78,444</u>	<u>78,583</u>

12. Tax on loss**Major components of tax income**

	2022	2021
	£	£
Current tax:		
UK current tax income	(432,904)	–
Adjustments in respect of prior periods	<u>(367,292)</u>	<u>(2,531)</u>
Total current tax	<u>(800,196)</u>	<u>(2,531)</u>
Deferred tax:		
Origination and reversal of timing differences	983	164,146
Recognition of prior period timing differences	<u>(22,157)</u>	<u>–</u>
Total deferred tax	<u>(21,174)</u>	<u>164,146</u>
Tax on loss	<u>(821,370)</u>	<u>161,615</u>

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

12. Tax on loss *(continued)*

Reconciliation of tax (income)/expense

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £	2021 £
Profit/(loss) on ordinary activities before taxation	516,799	(2,317,015)
Profit/(loss) on ordinary activities by rate of tax	98,192	(440,233)
Adjustment to tax charge in respect of prior periods	(389,448)	(2,531)
Effect of expenses not deductible for tax purposes	66,645	487,248
Effect of capital allowances and depreciation	2,442	8,334
Utilisation of tax losses	(204,470)	(126,653)
Unused tax losses	29,641	235,450
Differing tax rates on losses surrendered for R&D tax credit	134,350	—
Enhanced R&D deduction	(558,722)	—
Tax on loss	(821,370)	161,615

13. Intangible assets

Group	Goodwill £	Patents, trademarks and licences £	Total £
Cost			
At 1 April 2021	8,737,675	170	8,737,845
Acquisitions through business combinations	696,088	—	696,088
Other movements	(14,798)	—	(14,798)
At 31 March 2022	9,418,965	170	9,419,135
Amortisation			
At 1 April 2021	6,722,255	—	6,722,255
Charge for the year	334,817	—	334,817
At 31 March 2022	7,057,072	—	7,057,072
Carrying amount			
At 31 March 2022	2,361,893	170	2,362,063
At 31 March 2021	2,015,420	170	2,015,590

The Company has no intangible assets.

Mortgage Brain Holdings Limited

Notes to the Financial Statements (continued)

Year ended 31 March 2022

14. Tangible assets

Group	Freehold property	Freehold improvements	Short leasehold property	Fixtures and fittings	Equipment	Total
	£	£	£	£	£	£
Cost						
At 1 Apr 2021	4,164,827	328,533	1,667	1,544,822	125,342	6,165,191
Additions	–	8,931	–	72,141	4,977	86,049
Acquisitions through business combinations	–	–	–	–	41,877	41,877
At 31 Mar 2022	<u>4,164,827</u>	<u>337,464</u>	<u>1,667</u>	<u>1,616,963</u>	<u>172,196</u>	<u>6,293,117</u>
Depreciation						
At 1 Apr 2021	96,830	231,000	1,667	1,465,176	111,561	1,906,234
Charge for the year	32,277	12,726	–	56,548	11,325	112,876
Acquisitions through business combinations	–	–	–	–	35,639	35,639
At 31 Mar 2022	<u>129,107</u>	<u>243,726</u>	<u>1,667</u>	<u>1,521,724</u>	<u>158,525</u>	<u>2,054,749</u>
Carrying amount						
At 31 Mar 2022	<u>4,035,720</u>	<u>93,738</u>	<u>–</u>	<u>95,239</u>	<u>13,671</u>	<u>4,238,368</u>
At 31 Mar 2021	<u>4,067,997</u>	<u>97,533</u>	<u>–</u>	<u>79,646</u>	<u>13,781</u>	<u>4,258,957</u>

The Company has no tangible assets.

15. Investments

The Group has no investments.

Company	Shares in group undertakings
	£
Cost	
At 1 April 2021	22,800,335
Additions	702,133
Other movements	(14,798)
At 31 March 2022	<u>23,487,670</u>
Impairment	
At 1 April 2021 and 31 March 2022	<u>6,411,822</u>

Mortgage Brain Holdings Limited

Notes to the Financial Statements (continued)

Year ended 31 March 2022

15. Investments (continued)

Company	Shares in group undertaking s £
Carrying amount At 31 March 2022	17,075,848
At 31 March 2021	16,388,513

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
Mortgage Brain Limited	Ordinary	100
MBL Financial Services Limited	Ordinary	100
Premier Processing Services Limited	Ordinary	100
The Mortgage Trading Exchange Limited*	Ordinary	100
Mortgagestream Limited*	Ordinary	100
AE3 Media Limited	Ordinary	100
Criteria Hub Limited	Ordinary	100
Mortgage Engine Limited	Ordinary	100

*denotes investments held indirectly by parent company.

16. Debtors

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Trade debtors	2,289,631	1,390,113	–	–
Amounts owed by group undertakings	–	–	178,671	178,671
Deferred tax asset	22,241	–	–	–
Prepayments and accrued income	830,674	608,835	–	–
Corporation tax repayable	814,016	9,321	–	–
Other debtors	109,520	30,289	–	–
	<u>4,066,082</u>	<u>2,038,558</u>	<u>178,671</u>	<u>178,671</u>

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

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

17. Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Deferred consideration payable on acquisition	293,610	–	293,610	–
Bank loans and overdrafts	767,727	465,877	–	–
Trade creditors	601,648	424,624	–	–
Amounts owed to group undertakings	–	–	17,524,312	17,206,191
Accruals and deferred income	3,199,409	2,798,563	–	–
Social security and other taxes	848,156	1,675,023	–	–
Dividends payable	–	150,000	–	150,000
Other creditors	279,758	147,646	–	–
	<u>5,990,308</u>	<u>5,661,733</u>	<u>17,817,922</u>	<u>17,356,191</u>

Amounts owed to the group are interest free and repayable on demand.

Bank loans and overdrafts

The bank loan is secured over the whole assets of the Group. Full details of this liability are given in note 19 below.

Deferred consideration payable on acquisition

The deferred consideration payable on acquisition relates to the acquisition of Criteria Hub Limited in March 2019. During the current period the terms of the SPA were varied to change a variable contingent consideration payable to the sellers into a fixed deferred consideration payable in five instalments. The first payment of £52,925 was made in October 2021.

The following amounts are due under the varied terms:

- On 31 March 2022 £156,866;
- On 31 March 2023 £139,207;
- On 31 March 2024 £162,251 and;
- On 31 March 2025 £188,751

The amount disclosed above as falling due in 1 year is the sum of the first two payments, discounted to present value using an interest rate of 1.81%. The interest rate is equivalent to the rate on the Group's largest bank facility.

18. Creditors: amounts falling due after more than one year

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Deferred consideration payable on acquisition	335,408	–	335,408	–
Bank loans and overdrafts	2,823,899	3,548,653	–	–
	<u>3,159,307</u>	<u>3,548,653</u>	<u>335,408</u>	<u>–</u>

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

18. Creditors: amounts falling due after more than one year *(continued)*

Included within creditors: amounts falling due after more than one year is an amount of £515,384 (2021: £720,131) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Bank loans and overdrafts

The bank loan facility due for repayment in more than one year consists of two facilities. One is a mortgage repayable in 120 equal instalments from the drawdown date of May 2017. This attracts interest at 2.5% above base rate.

The second is a CBIL facility. This is a facility backed by a government guarantee as part of the UK governments wider COVID support measures. This £3,000,000 facility attracts interest at 1.71% plus base rate and was drawn down in September 2020. 60 capital repayments of £50,000 per month started in October 2021. Interest payments are made each month on top of the capital instalments due.

The bank loan is secured over the whole assets of the Group.

Deferred consideration payable on acquisition

The amount disclosed above as falling due in more than 1 year is the sum of the last two payments disclosed in note 17 above, discounted to present value using an interest rate of 1.81%. The interest rate is equivalent to the rate on the Group's largest bank facility.

19. Provisions

Group	Deferred tax (note 20) £	Contingent liability payable on acquisition £	Total £
At 1 April 2021	21,174	691,636	712,810
Additions	1,067	589,522	590,589
Settled	–	(52,925)	(52,925)
Transfer to creditors due within and more than 1 year	–	(638,711)	(638,711)
At 31 March 2022	22,241	589,522	611,763

Company	Contingent liability payable on acquisition £
At 1 April 2021	691,636
Additions	589,522
Settled	(52,925)
Transfer to creditors due within and more than 1 year	(638,711)
At 31 March 2022	589,522

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

19. Provisions *(continued)*

Contingent consideration payable on acquisition - Criteria Hub Limited

The brought forward provision for contingent consideration payable on acquisition relates to the acquisition of Criteria Hub Limited in March 2019. During the current period the terms of the SPA were varied to change a variable contingent consideration payable to the sellers into a fixed deferred consideration payable in five instalments. The first payment of £52,925 was made in October 2021 with the remaining balance of the provision transferred to creditors due in less than and more than one year as at 31 March 2022.

Contingent consideration payable on acquisition - Mortgage Engine Limited

The addition to provision for contingent consideration payable on acquisition relates to the acquisition of Mortgage Engine Limited in February 2022. The SPA dictated that the whole of the consideration payable is contingent. There are two types of contingent consideration.

The first is a revenue based contingent consideration, under which a percentage of revenue generated by the acquiree during the period through to 31 December 2025 is payable to the seller. This consideration is not capped and has no minimum value.

The second is a contingent consideration payable to the seller based on the value of housing completions processed through the acquiree's software product during the period 1 January 2025 to 31 December 2025. This consideration is capped at £3,000,000 and has no minimum value. It increases in £500,000 increments based on certain targets.

Management has had to make a number of estimates and assumptions in building a financial model to calculate the fair value of the contingent consideration payable as at the reporting date and it is likely this estimate will need to be revised at each reporting date. This current estimates that total contingent consideration of £804,599 will be payable, which has a net present value of £585,133 once discounted at a rate of 9%.

20. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Included in debtors (note 16)	22,241	—	—	—
Included in provisions (note 19)	(22,241)	(21,174)	—	—
	<u>—</u>	<u>(21,174)</u>	<u>—</u>	<u>—</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Accelerated capital allowances	(22,241)	(21,174)	—	—
Unused tax losses	22,241	—	—	—
	<u>—</u>	<u>(21,174)</u>	<u>—</u>	<u>—</u>

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

20. Deferred tax *(continued)*

The reversal of the above deferred tax assets and liabilities in the following year is expected to be immaterial.

Unrecognised deferred tax

The Group also has the following unrecognised deferred tax assets in respect of unused tax losses:

	2022 £	2021 £	2022 £	2021 £
Unused tax losses	<u>421,950</u>	<u>619,210</u>	<u>—</u>	<u>—</u>

No deferred tax asset has been recognised in respect of the above tax losses due to the uncertain timing at which sufficient taxable profits will be generated to utilise these losses.

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £507,316 (2021: £593,735).

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

22. Share-based payments

2018 scheme

In October 2018, a further 44,160 share options were granted by Mortgage Brain Holdings Limited over ordinary C1 shares to a key director of the groups trading subsidiaries.

These options will not become exercisable until the accounts for the year ended 31 March 2020 have been approved by the board.

Following that date, the maximum number of 2018 options exercisable at each point are as follows:

Based on accounts for the year ended 31 March 2020: 1/3 of options held under 2018 scheme.
Based on accounts for the year ended 31 March 2021: 2/3 of options held under 2018 scheme.
Based on accounts for the year ended 31 March 2022: 3/3 of options held under 2018 scheme.

The above is also subject to the restriction that no more than 50% of the total options held under the 2018 scheme by an employee can be exercised at any one time.

The option agreement provides for a put and call option over the shares once exercised. As the put and call option makes an immediate sale inevitable (by either party) after exercise the options will be considered cash settled.

The valuation of the options is therefore derived from the put and call option formula which is as follows:

$$(((9 \times \text{EBITDA}) + A) - B) / C$$

A = The net assets as shown in the group's most recent consolidated audited accounts as at the date of exercise of the 2018 option.

B = £20.47 x number of A shares, A1 shares and B shares in issue at the date of exercise.

C = Total number of A shares, B shares and C shares in issue at the date of exercise.

14,720 of these share options were forfeited during the year ended 31 March 2021 and replaced with 14,720 options under the 2021 scheme.

During the current year all remaining 29,440 options were forfeited.

2019 scheme

In October 2019, a further 18,400 share options were granted by Mortgage Brain Holdings Limited over ordinary C1 shares to various key employees of the groups trading subsidiaries.

These options will not become exercisable until the accounts for the year ended 31 March 2021 have been approved by the board and the start of the company's financial year for accounting purposes immediately following the year in which all of the employee's other outstanding options were exercised. The exercise price is £3.27 per share.

The option agreement provides for a put and call option over the shares once exercised. As the put and call option makes an immediate sale inevitable (by either party) after exercise the options will be considered cash settled.

The valuation of the options is therefore derived from the put and call option formula, which is the

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

lower of £71.22 per share or the following calculation:

$$(((9 \times \text{EBITDA}) + A) - B) / C$$

A = The net assets as shown in the group's most recent consolidated audited accounts as at the date of exercise of the 2019 option.

B = £20.47 x number of A shares, A1 shares and B shares in issue at the date of exercise.

C = Total number of A shares, B shares and C shares in issue at the date of exercise.

During the year 3,680 of these options were forfeited. The remaining 14,720 options are exercisable as at 31 March 2022.

2020 scheme - 1st tranche

In February 2020, a further 62,560 share options were granted by Mortgage Brain Holdings Limited over ordinary C1 shares to various key employees of the groups trading subsidiaries.

These options will not become exercisable until the accounts for the year ended 31 March 2022 have been approved by the board and the start of the company's financial year for accounting purposes immediately following the year in which all of the employee's other outstanding options were exercised. The exercise price is £2.21 per share.

The option agreement provides for a put and call option over the shares once exercised. As the put and call option makes an immediate sale inevitable (by either party) after exercise the options will be considered cash settled.

The valuation of the options is therefore derived from the put and call option formula, which is the lower of £71.22 per share or the following calculation:

$$(((9 \times \text{EBITDA}) + A) - B) / C$$

A = The net assets as shown in the group's most recent consolidated audited accounts as at the date of exercise of the 2020 option.

B = £20.47 x number of A shares, A1 shares and B shares in issue at the date of exercise.

C = Total number of A shares, B shares and C shares in issue at the date of exercise.

During the year 47,840 of these options were forfeited.

2020 scheme - 2nd tranche

In February 2020, a further 111,504 share options were granted by Mortgage Brain Holdings Limited over ordinary C1 shares to various key employees of the groups trading subsidiaries.

These options will not become exercisable until the accounts for the year ended 31 March 2021 have been approved by the board and the start of the company's financial year for accounting purposes immediately following the year in which all of the employee's other outstanding options were exercised. The exercise price is £2.21 per share.

Following that date, the maximum number of options exercisable at each point are as follows:

Based on accounts for the year ended 31 March 2021: 1/3 of options held. Based on accounts for the year ended 31 March 2022: 2/3 of options held.

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

Based on accounts for the year ended 31 March 2023: 3/3 of options held.

The above is also subject to the restriction that no more than 1/3 of the total options held under the 2020 scheme by an employee can be exercised at any one time.

The option agreement provides for a put and call option over the shares once exercised. As the put and call option makes an immediate sale inevitable (by either party) after exercise the options will be considered cash settled.

The valuation of the options is therefore derived from the put and call option formula, which is the lower of £68.04 per share or the following calculation:

$$(((9 \times \text{EBITDA}) + A) - B) / C$$

A = The net assets as shown in the group's most recent consolidated audited accounts as at the date of exercise of the 2020 option.

B = £20.47 x number of A shares, A1 shares and B shares in issue at the date of exercise.

C = Total number of A shares, B shares and C shares in issue at the date of exercise.

During the year 3,312 of these options were forfeited. As at 31 March 2022 36,064 of these options were exercisable.

2021 scheme

In January 2021, a further 124,384 share options were granted by Mortgage Brain Holdings Limited over ordinary C shares to various key employees of the groups trading subsidiaries.

These options will not become exercisable until the accounts for the year ended 31 March 2023 have been approved by the board and the start of the company's financial year for accounting purposes immediately following the year in which all of the employee's other outstanding options were exercised. The exercise price is £7.25 per share.

Following that date, the maximum number of options exercisable at each point are as follows:

Based on accounts for the year ended 31 March 2023: 1/3 of options held. Based on accounts for the year ended 31 March 2024: 2/3 of options held. Based on accounts for the year ended 31 March 2025: 3/3 of options held.

The above is also subject to the restriction that no more than 1/3 of the total options held under the 2021 scheme by an employee can be exercised at any one time.

The option agreement provides for a put and call option over the shares once exercised. As the put and call option makes an immediate sale inevitable (by either party) after exercise the options will be considered cash settled.

The valuation of the options is therefore derived from the put and call option formula, which is the lower of £51.00 per share or the following calculation:

$$(((9 \times \text{EBITDA}) + A) - (B + C)) / D$$

A = The net assets as shown in the group's most recent consolidated audited accounts as at the date of exercise of the 2021 option.

B = £9.75 x number of A shares, A1 shares and B shares in issue at the date of exercise.

Mortgage Brain Holdings Limited

Notes to the Financial Statements (continued)

Year ended 31 March 2022

C = £7.25 x number of A shares, A2 shares B shares and C shares in issue at the date of exercise.

D = Total number of A shares, B shares, C shares and C1 shares in issue at the date of exercise.

During the year 14,720 of these options were forfeited.

Details of the number and weighted average exercise prices (WAEP) of share options during the year are as follows:

Group and company	2022		2021	
	No.	WAEP	No.	WAEP
Outstanding at 1 April 2021	346,288	3.89	358,064	1.28
Granted during the year	—	—	124,384	7.25
Forfeited during the year	(98,992)	2.36	(14,720)	0.09
Exercised during the year	—	—	(121,440)	0.09
Outstanding at 31 March 2022	<u>247,296</u>	<u>4.50</u>	<u>346,288</u>	<u>3.89</u>
Exercisable at 31 March 2022	<u>50,784</u>	<u>2.51</u>	<u>—</u>	<u>—</u>

The total expense recognised in profit or loss for the year is as follows:

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Cash-settled share-based payments	<u>—</u>	<u>(9,494)</u>	<u>—</u>	<u>—</u>

23. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Recognised in other operating income: Government grants recognised directly in income	<u>27,150</u>	<u>529,050</u>	<u>—</u>	<u>—</u>

24. Financial instruments

The carrying amount for each category of financial instrument is as follows:

Financial liabilities measured at fair value through profit or loss

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Contingent consideration	<u>589,522</u>	<u>691,636</u>	<u>589,522</u>	<u>691,636</u>

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

25. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary Class A shares of £0.00005 each	1,997,994	100	1,997,994	100
Ordinary Class B shares of £0.00005 each	6	–	6	–
Ordinary Class A1 shares of £0.000025 each	210,000	5	210,000	5
Ordinary Class C shares of £0.000025 each	210,000	5	210,000	5
	<u>2,418,000</u>	<u>110</u>	<u>2,418,000</u>	<u>110</u>

Each ordinary A and B share is entitled to one vote.

The ordinary A1 and C shares are held by the employee benefit trust ('EBT') set up satisfy the requirements of the share option schemes described in note 23 to the accounts. The assets and liabilities of the 'EBT' have been consolidated in these financial statements.

26. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Reserve for own shares

This reserve records the value of 210,000 ordinary A1 shares and 210,000 ordinary C shares held by the employee benefit trust for the purpose of satisfying the employee share option plan described in note 19.

Profit and loss account

This reserve records retained earnings and accumulated losses.

27. Analysis of changes in net debt

	At 1 Apr 2021	Cash flows	Other changes	At 31 Mar 2022
	£	£	£	£
Cash at bank and in hand	7,978,647	(1,177,057)	–	6,801,590
Debt due within one year	(465,877)	422,904	(1,018,364)	(1,061,337)
Debt due after one year	(3,548,653)	–	389,346	(3,159,307)
	<u>3,964,117</u>	<u>(754,153)</u>	<u>(629,018)</u>	<u>2,580,946</u>

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

28. Business combinations

Acquisition of Mortgage Engine Limited

In February 2022 the group acquired 100% of Mortgage Engine Limited, a software company. It was anticipated this would compliment the Group's existing activities and add valuable expertise to the Group's leadership and development team.

The fair value of consideration paid in relation to the acquisition of Mortgage Engine Limited is as follows:

	£
Consideration paid - legal and professional fees	117,000
Revenue based contingent consideration	230,920
Other contingent consideration	354,213
	<u>702,133</u>

Under the terms of the agreement there was no initial cash consideration paid, but directly attributable costs of £117,000 were incurred.

Two further types of deferred consideration are payable subject to the acquiree's performance in the period from acquisition through to 31 December 2025.

The first is a revenue based contingent consideration, under which a percentage of revenue generated by the acquiree during the period through to 31 December 2025 is payable to the seller. This consideration is not capped and has no minimum value. Management have estimated this consideration to be £304,599 and applied a 9% discount rate to this to arrive at a present value of £230,920 as disclosed above.

The second is a contingent consideration payable to the seller based on the value of housing completions processed through the acquiree's software during the period through to 31 December 2025. This consideration is capped at £3,000,000 and has no minimum value. It increases in £500,000 increments based on certain targets. Management have estimated this consideration to be £500,000 and applied a 9% discount rate to this to arrive at a present value of £354,213 as disclosed above.

Mortgage Brain Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 31 March 2022

28. Business combinations *(continued)*

The fair value of amounts recognised at the acquisition date in relation to Mortgage Engine Limited are as follows:

	Book value	Adjustments	Fair value
	£	£	£
Tangible assets acquired	6,238	–	6,238
Trade debtors acquired	9,501	–	9,501
Other debtors acquired	128,367	–	128,367
Cash and cash equivalents acquired	155,577	–	155,577
Deferred tax asset	6,144	(6,144)	–
Other creditors assumed	(37,723)	–	(37,723)
Accruals and deferred income	(255,915)	–	(255,915)
	<u>12,189</u>	<u>(6,144)</u>	<u>6,045</u>
Goodwill on acquisition			696,088
			<u>702,133</u>

The consolidated statement of comprehensive income for the financial year includes turnover of £1,974 and loss of £156,981 in respect of Mortgage Engine Limited since the acquisition date.

29. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Not later than 1 year	<u>29,000</u>	<u>–</u>	<u>–</u>	<u>–</u>

30. Events after the end of the reporting period*Share based payments*

Since year end, 68,448 outstanding share options disclosed in note 22 have been forfeited.

Acquisition of Mister Broker Limited

In April 2022 the group acquired 100% of Mister Broker Limited, a company incorporated in Ireland. The total consideration paid was €60,000 plus a contingent consideration based on revenue earned in the years through to 31 March 2030.

Mortgage Brain Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

31. Related party transactions

Group

During the year the group entered into the following transactions with related parties:

	Transaction value		Balance owed by/(owed to)	
	2022 £	2021 £	2022 £	2021 £
Lloyds Banking Group	404,091	146,496	(4,707)	(4,707)
Virgin Money	200,905	12,432	114,366	12,432
Santander	12,500	48,336	–	–
Royal Bank of Scotland Plc	474,992	728,580	3,471	20,310
Nationwide	324,970	193,782	30,192	–
Barclays Plc	<u>360,675</u>	<u>217,774</u>	<u>177,930</u>	<u>24,576</u>

The Group provided services in the normal course of business to the above material beneficial shareholders during the year.

The Group was not under the control of any one entity or individual throughout the current or previous year.

The Group acquired Mortgage Engine Limited from related party Santander Mortgage Holdings Limited. See note 28 for further information on this acquisition.

Company

Other than the related party transactions described above, the Company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

No other transactions with related parties were undertaken such as are required to be disclosed under FRS102.

32. Controlling party

In the opinion of the directors, the company is not under the control of any individual or entity.