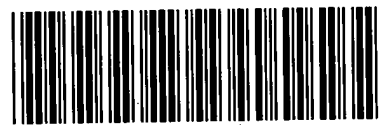


**Strategic Report, Report of the Directors and
Audited Financial Statements for the year Ended 31 March 2020
for
Stonebridge Mortgage Solutions Limited**

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For the Year Ended 31 March 2020**

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Stonebridge Mortgage Solutions Limited (Registered number: 05601592)

**Company Information
for the Year Ended 31 March 2020**

DIRECTORS:	J C Carrasco R M Clifford M Cowcher M L Franklin
SECRETARY:	S K Tuck
REGISTERED OFFICE:	9 Lords Court Basildon Essex SS13 1SS
REGISTERED NUMBER:	05601592 (England and Wales)
AUDITOR:	KPMG LLP St Nicholas House 31 Park Row Nottingham NG1 6FQ

**Strategic Report
for the Year Ended 31 March 2020**

Introduction

Stonebridge Mortgage Solutions Limited ("Stonebridge") is one of the UK's largest mortgage networks, with growth driven by developing best-in-class systems alongside excellent customer service and highly competitive commercial terms, together with proven and experienced regulatory monitoring and supervision. The Company has grown its Appointed Representative model, with over 680 advisors in the Stonebridge network at year end.

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.

Business Review

Stonebridge's strategy is to be the ideal home for mortgage advisors, supported by technology, regulatory process and commercial arrangements. This strategy has allowed it to grow its mortgage advisor numbers from 606 to 684 in the last financial year, with Revenues climbing in the year by around 4% from 2019, and 24% from 2018. Stonebridge continues to maintain healthy levels of cash and reserves to support regulatory capital requirements.

Through Revolution, the bespoke business management software wholly owned by Revolution Company (Essex) Limited (a subsidiary of Stonebridge Mortgage Solutions Limited), the Company provides its mortgage broker firms with a well-regarded system which manages lead generation and sales progression through to business processing and customer retention, as well as delivering regulatory compliance processes. Through ongoing investment into this system, Stonebridge will benefit from new, market-leading functionality, thereby delivering increased productivity and efficiency to advisors as well as an enhanced customer journey.

Principal Risks and Uncertainties

The Company's revenues and profits are substantially dependent on the volume of housing transactions in the UK residential property 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. Some impact has already been seen in 2020, as discussed above.

However, despite potential short-term variations in house move volumes, the Company also benefits from re-mortgage activity, which represents almost 1/3rd of the total mortgage market and has historically increased when the purchase market slows.

The company makes little use of financial instruments other than an operational bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company.

**Strategic Report
for the Year Ended 31 March 2020**

Failure to comply with regulatory requirements could result in reputational and financial damage, including withdrawal of authorisation or financial sanctions by the Financial Conduct Authority. Stonebridge Mortgage Solutions Limited maintains a robust regulatory monitoring and supervision environment. Consistent investment and its relationship with the regulator places Stonebridge in a strong position to adjust to further regulatory change.

Covid-19

Given the pandemic and consequent UK Government advice, we moved swiftly to close our physical office locations and we continue to provide all of our key support services to our mortgage broker partners by remote working. We have repeatedly communicated to staff and business partners to promote a safe approach in accordance with NHS and Government guidelines.

Our wholly owned software platform was key to being able to make sure that we and our member firms were able to continue helping pipeline customers who were arranging mortgages, general insurance or life insurance policies at the point of the Government interventions. The vast majority of our mortgage advisers across the UK made a seamless transition to home working and have successfully continued generating new clients and new business despite the lockdown and its impact.

The volume of purchase mortgages fell materially during the initial lockdown but some of that decrease was mitigated by an increase in refinancing activity. Since the lifting of the initial lockdown, quickly followed by the introduction of a temporary stamp duty holiday, trading has recovered strongly with the business now operating above pre-lockdown levels.

This has remained the case during subsequent lockdowns and changes in coronavirus rules as the housing market remained open and active throughout.

Whilst we always hold very healthy reserves over and above the Regulatory Capital requirements, to preserve cash and to protect our business for the future, we looked carefully at our cost base and implemented an immediate recruitment freeze during the first lockdown. We have also made use of the Government's Job Retention Scheme for a number of roles which had been affected by the fall in business volumes. All furloughed employees were re-introduced into the business by the end of July.

Continuing levels of positive market sentiment suggest that longer term the housing market should continue to trade at c. 1.2 million transactions per annum and the business continues to maintain a scale which would be able to support this level of activity.

Strategic Report
for the Year Ended 31 March 2020

Section 172(1) Statement

The Company's Section 172(1) Statement is on pages 5-7.

Financial KPIS and Other KPIs

	2020	2019
Average Advisors	639	581
Total Income (£'000)	49,211	47,558
Operating Profit Margin	10.9%	12.4%

ON BEHALF OF THE BOARD:



RM Clifford - Director

Date: 29/01/21

**Report of the Directors
for the Year Ended 31 March 2020**

The directors present their report with the financial statements of the company for the year ended 31 March 2020.

DIVIDENDS

The profit for the year, after taxation, amount to £6,572,000 (2019 £7,434,000).

During the year, the Company paid dividends of £7,750,000 (2019 £7,280,000).

POST BALANCE SHEET EVENTS

Post year end the ultimate controlling party, Mortgage and Surveying Services Limited (formerly SDL Property Services Group Limited), has restructured its operations through the sale of the majority of its property related services.

FUTURE DEVELOPMENTS

We continue in our strategy to grow the business through the ongoing recruitment of Authorised Representatives and the use of our propriety technology solutions to support increases in productivity.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2019 to the date of this report.

J C Carrasco
R M Clifford
M Cowcher
M L Franklin

Other changes in directors holding office are as follows:

R P Adams – resigned 1 August 2019

SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT

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

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 Company promotes the highest standards of corporate governance. 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.

**Report of the Directors
for the Year Ended 31 March 2020**

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 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 Company as part of the wider group. The directors have also acted in the long-term interest of the Company by supporting policies, behaviours and actions which promote the interest of people, customers, and other stakeholders.

Stakeholder Engagement

The table below sets out 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.

Stakeholders	Our approach to stakeholder engagement	Stakeholder consideration in the Board's decision making
<p>Shareholders</p> <p><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.</i></p> <p><i>Value is generated for the shareholders by supporting the overall group to deliver on the business plan.</i></p>
<p>Customers</p> <p><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. The Company's 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 Stonebridge aims to provide a consistently high quality of service at a reasonable price to fulfil customer requirements.</i></p>

**Report of the Directors
for the Year Ended 31 March 2020**

<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>
<p>Regulator <i>A good working relationship with the Financial Conduct Authority ensures the Company works to the best possible standards</i></p>	<p><i>We maintain close contact with the regulator 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 FCA 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 Company board meetings in order to have the opportunity to raise any relevant issues to the Board's decision making.</i></p> <p><i>A compliance report of any issues identified within the business is provided to each board meeting for consideration.</i></p>

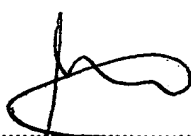
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Company Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

ON BEHALF OF THE BOARD:


.....
RM Clifford - Director

Date: 29/01/21

**Statement of Directors' Responsibilities
for the Year Ended 31 March 2020**

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

Company law requires the directors to prepare financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent ;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 either intend to liquidate the 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 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 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 company and to prevent and detect fraud and other irregularities.

**Report of the Independent Auditor to the Members of
Stonebridge Mortgage Solutions Limited**

Opinion

We have audited the financial statements of Stonebridge Mortgage Solutions Limited ("the company") for the year ended 31 March 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Notes to the Financial Statements and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company 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 company or to cease its operations, and as they have concluded that 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 its 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 company's business model and analysed how those risks might affect the 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 company will continue in operation.

**Report of the Independent Auditor to the Members of
Stonebridge Mortgage Solutions Limited**

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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 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 company or to cease operations, or have no realistic alternative but to do so.

**Report of the Independent Auditor to the Members of
Stonebridge Mortgage Solutions Limited**

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.



.....
Louise De Lucchi (Senior Statutory Auditor)
for and on behalf of KPMG LLP
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

Date:29.January 2021.....

Stonebridge Mortgage Solutions Limited (Registered number: 05601592)

**Profit and Loss Account and Other Comprehensive Income
for the Year ended 31 March 2020**

	Notes	2020 £'000	2019 £'000
TURNOVER	4	49,211	47,558
Cost of sales		<u>(38,700)</u>	<u>(36,978)</u>
GROSS PROFIT		10,511	10,580
Depreciation and amortisation		(130)	(22)
Administrative expenses		<u>(5,037)</u>	<u>(4,648)</u>
OPERATING PROFIT		5,344	5,910
Income from investments	6	960	1,420
Interest receivable and similar income	7	11	16
Interest payable and similar expenses	8	<u>(17)</u>	<u>-</u>
PROFIT BEFORE TAX	9	6,298	7,346
Tax on profit	11	<u>274</u>	<u>88</u>
PROFIT FOR THE FINANCIAL YEAR		6,572	7,434
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>6,572</u>	<u>7,434</u>

Statement of Financial Position
31 March 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangibles Assets	13		100		100
Tangible Assets	14		407		23
Investments	15		1,235		1,235
			<u>1,742</u>		<u>1,358</u>
CURRENT ASSETS					
Debtors	16	4,287		3,881	
Cash at bank and in hand		<u>1,194</u>		<u>2,286</u>	
		5,481		6,167	
CREDITORS					
Amounts falling due within one year	17	<u>(2,480)</u>		<u>(1,908)</u>	
NET CURRENT ASSETS			<u>3,001</u>		<u>4,259</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			4,743		5,617
CREDITORS					
Amounts falling after more than one year	18		(263)		(271)
PROVISIONS FOR LIABILITIES	20		(3,142)		(2,830)
NET ASSETS			<u>1,338</u>		<u>2,516</u>
CAPITAL AND RESERVES					
Called up share capital	21		11		11
Retained earnings			<u>1,327</u>		<u>2,505</u>
SHAREHOLDERS' FUNDS			<u>1,338</u>		<u>2,516</u>

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


.....
RM Clifford - Director

**Statement of Changes in Equity
for the Year Ended 31 March 2020**

	Notes	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2018		11	2,351	2,362
Dividends	12	-	(7,280)	(7,280)
Total comprehensive income		-	7,434	7,434
Balance at 31 March 2019		11	2,505	2,516
 Dividends	 12	 -	 (7,750)	 (7,750)
Total comprehensive income		-	6,572	6,572
Balance at 31 March 2020		11	1,327	1,338

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

1. STATUTORY INFORMATION

Stonebridge Mortgage Solutions Limited (the "Company") is a private company, limited by shares, registered in England and Wales. The registered number is 05601592 and the registered address is 9 Lords Court, Basildon, Essex, SS13 1SS.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company's ultimate parent undertaking, Mortgage and Surveying Services Limited (formerly SDL Property Services Group Limited), includes the Company in its consolidated financial statements. The consolidated financial statements of Mortgage and Surveying Services Limited (formerly SDL Property Services Group Limited) are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from its registered office.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The directors do not consider there to be any judgements or key sources of estimation uncertainty in relation to the application of these accounting policies.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES – continued

Basis of preparation - continued

As the consolidated financial statements of Mortgage and Surveying Services Limited (formerly SDL Property Services Group Limited) include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

There are no new or amended standards becoming applicable in the near future which will have a material effect on these financial statements. Management will continue to assess the impact of new and amended Standards and Interpretations on an ongoing basis.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES – continued

Changes in accounting policies and disclosure

In these financial statements the Company has changed its accounting policies in the following areas:

IFRS 16: Leases (See note 19)

The has been adopted using the modified retrospective method and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company 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 Company 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 Company 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 Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company 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 Company'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.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES – continued

Lease - continued

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 Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company 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 Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'creditors' in the statement of financial position.

The application and financial impact of this accounting policy is discussed further in note 25.

Short-term leases and leases of low-value assets

The Company 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.

Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future.

Post year end the ultimate controlling party, Mortgage and Surveying Services Limited (formerly SDL Property Services Group Limited), has restructured its operations through the sale of the majority of its property related services.

Accordingly, from 7 December 2020, the Mortgage and Surveying Services Group ("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 which includes the company.

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

The Group is funded by external bank debt and shareholder loan notes. 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.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES – continued

Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future.

Post year end the ultimate controlling party, Mortgage and Surveying Services Limited (formerly SDL Property Services Group Limited), has restructured its operations through the sale of the majority of its property related services.

Accordingly, from 7 December 2020, the Mortgage and Surveying Services Group ("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 which includes the company.

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

The Group is funded by external bank debt and shareholder loan notes. 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.

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 company for the period of at least twelve months from the date of signing these financial statements which indicate that, the company will have sufficient funds to meet its liabilities as they fall due for that period. Net debt levels, servicing costs, working capital and covenant requirements at the group level are closely monitored and managed and these have each been considered as part of these forecasts for the wider group.

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.

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.

Valuation of investments

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit or Loss Account and Other Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES – continued

Revenue

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

Revenue is commission generated on the organising of financial products and is recognised at the point the mortgage completes.

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

Classification of financial instruments issues by the company

Following the adoption of IAS 32, 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 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 accounts exclude amounts in relation to those shares.

Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES – continued

Tangible fixed assets – continued

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment – 25% straight line

Fixtures and fittings – 25% straight line

Right-of-use assets – straight line over the term of the lease

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account and Other Comprehensive Income.

Impairment excluding stocks and deferred tax assets

(a) 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 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; 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.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES – continued

Impairment excluding stocks and deferred tax assets - continued

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.

Investments in subsidiaries are accounted for in accordance with IFRS 9.

(b) Subsequent measurement and gains and losses

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

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

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

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES – continued

Impairment excluding stocks and deferred tax assets - continued

(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.

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

(iv) Impairment

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

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

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES – continued

Impairment excluding stocks and deferred tax assets - continued

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

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES – continued

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss account and Other Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that the will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Goodwill

Goodwill represents the excess of the costs of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probably and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence results in a change in the carrying value of the related goodwill.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES – continued

Goodwill - continued

Goodwill is capitalised as an intangible asset and is not amortized. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit and loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overbidding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Interest payable

Interest payable is charged to the Profit and Loss Account and Other Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account and Other Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES – continued

Non-derivative financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequently to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment loss

Short term debtors are measured at transaction price, less impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Trade and other creditors

Trade and other creditors are initially recognised at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

In preparing the financial statements the directors have been required to estimate the future value of claims for lapsed policies. In doing so they have used the historic rate of lapses as a guide in combination with trends in the marketplace.

A provision for the repayment of indemnity 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 indemnity 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 indemnity commissions which will ultimately be repaid.

In recognising the opening lease liability on transition to IFRS 16 the Directors have had to make certain assumptions in respect of the value on recognition. In particular they have estimated the interest rate implicit in the lease to be between 4.5% and 5%. If this interest rate was increased by 1% for all leases the value of the asset and liability on transition would reduce by £8K.

In addition, the Directors have assumed that any lease extensions available will not be taken based on a review of the Company's past behaviour and current intentions. If this assumption was changed the lease liability and asset recognised on transition would increase by £76k.

The directors do not believe there to be any more critical accounting judgements.

4. TURNOVER

The following is a description of the principal activities from which the Company generates its revenue in line with IFRS 15. For further detail on the accounting policy for the current year please see note 2.

The company generates all of its revenue from commission on organisation of financial products. Revenue is recognised at the inception of the product to which it relates as this is considered to be the point at which the performance obligation is satisfied. Cash is received in the week following recognition.

All turnover was generated in the United Kingdom. There is no deferred income on either the opening or closing balance sheet. There is accrued income on the closing balance sheet of £1,659k.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

5. EMPLOYEES AND DIRECTORS

	2020	2019
	£'000	£'000
Wages and salaries	1,918	2,196
Social security costs	174	196
Other pension costs	68	8
	<u>2,160</u>	<u>2,400</u>

The average number of employees during the year was as follows:

	2020	2019
Administrative	<u>70</u>	<u>61</u>

	2020	2019
	£	£
Directors remuneration	<u>124,866</u>	<u>252,303</u>

Information regarding the highest paid director is as follows:

	2020	2019
	£	£
Highest paid Director's salary (£71,013) and NI contributions (£9,986)	<u>80,999</u>	<u>167,780</u>

The value of company's contribution paid to a defined contribution scheme in respect of the highest paid director amounted to £Nil (2019-£Nil).

6. INCOME FROM INVESTMENTS

	2020	2019
	£'000	£'000
Dividends from subsidiaries	<u>960</u>	<u>1,420</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
	£'000	£'000
Other interest receivable	<u>11</u>	<u>16</u>

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020	2019
	£'000	£'000
Interest on lease liabilities	<u>17</u>	<u>-</u>

9. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	2020	2019
	£'000	£'000
Other operating leases	-	76
Depreciation	130	22
Expenses relating to short-term leases	16	-
Loss on disposal of fixed assets	-	10
Defined contribution pension cost	68	8

10. AUDITOR'S REMUNERATION

	2020	2019
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's financial statements	<u>24</u>	<u>13</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent Company.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

11. TAXATION

Analysis of tax expense/(income)

	2020 £'000	2019 £'000
Current tax:		
Tax	-	-
Adjustments for prior year	<u>(276)</u>	<u>(88)</u>
Total current tax	(276)	(88)
Deferred tax (Origination and reversal of temporary difference)	2	-
Total tax income in Profit and Loss Account and Other Comprehensive Income	<u>(274)</u>	<u>(88)</u>

Factors affecting the tax expense/(income)

The tax assessed for the year is higher (2019 – lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £'000	2019 £'000
Profit before income tax	<u>6,298</u>	<u>7,346</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 – 19%)	1,197	1,396
Effects of:		
Income not taxable	(183)	(181)
Deferred tax other	-	2
Expenses not deductible for tax purposes	242	16
Group relief	(1,254)	(1,233)
Other differences		
Adjustments for prior periods	<u>(276)</u>	<u>(88)</u>
Tax income	<u>(274)</u>	<u>(88)</u>

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%)..

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

12. DIVIDENDS

	2020 £'000	2019 £'000
Ordinary A shares of £1 each		
Interim	<u>7,750</u>	<u>7,280</u>

13. INTANGIBLE ASSETS

	Goodwill £'000
COST	
At 1 April 2019 and 31 March 2020	<u>100</u>
NET BOOK VALUE	
At 31 March 2020	<u>100</u>
At 31 March 2019	<u>100</u>

14. TANGIBLE ASSETS

	Computer equipment £'000	Fixtures and fittings £'000	Right-of- use assets £'000	Totals £'000
COST				
At 1 April 2019	106	-	414	520
Additions	-	24	76	100
Disposals	-	-	-	-
At 31 March 2020	<u>106</u>	<u>24</u>	<u>490</u>	<u>620</u>
DEPRECIATION				
At 1 April 2019	83	-	-	83
Depreciation for the year	8	4	118	130
Eliminated on disposal	-	-	-	-
At 31 March 2020	<u>91</u>	<u>4</u>	<u>118</u>	<u>213</u>
NET BOOK VALUE				
At 31 March 2020	<u>15</u>	<u>20</u>	<u>372</u>	<u>407</u>
At 31 March 2019	<u>23</u>	<u>-</u>	<u>-</u>	<u>23</u>

For further disclosure of right-of-use assets refer to note 19.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

15. INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 April 2019	
And 31 March 2020	<u>1,235</u>
NET BOOK VALUE	
At 31 March 2020	<u>1,235</u>
At 31 March 2019	<u>1,235</u>

The Company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Revolution Company (Essex) Limited

Registered office: 9 Lords Court, Basildon, Essex, SS13 1SS

Nature of business: Software development

	%		
Class of shares	holding	2020	2019
Ordinary	100.00	£'000	£'000
Aggregate capital and reserves		552	718
(Loss)/profit for the year		<u>(166)</u>	<u>34</u>

Stonebridge Genus Limited

Registered office: 9 Lords Court, Basildon, Essex, SS13 1SS

Nature of business: Financial intermediation

	%		
Class of shares	holding	2020	2019
Ordinary	100.00	£'000	£'000
Aggregate capital and reserves		3	19
Profit for the year		<u>324</u>	<u>622</u>

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

15. INVESTMENTS – continued

Moneyquest Mortgage Brokers Limited

Registered office: 3-4 Regan Way, Chetwynd Business Park, Chilwell, Nottingham, NG9 6RZ

Nature of business: Mortgage broker

Class of shares	% holding		
Ordinary	100.00		
		2020	2019
		£'000	£'000
Aggregate capital and reserves		146	131
Profit for the year		636	445

16. DEBTORS

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by group undertakings	115	-
Other debtors	2,107	1,754
Tax recoverable	167	210
Prepayments and accrued income	1,898	1,917
	4,287	3,881

All amounts owed by group undertakings are interest free and repayable on demand.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£'000	£'000
Lease liabilities	118	-
Trade creditors	277	87
Amounts owed to group undertakings	511	739
Social security and other taxes	54	51
Other creditors	1,323	1,012
Accrued expenses	197	19
	2,480	1,908

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

Notes to the Financial Statements
for the Year Ended 31 March 2020

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £'000	2019 £'000
Accrued expenses	-	271
Lease liabilities	263	-
	<u>263</u>	<u>271</u>

Due to a change in accounting policy applicable from 1 April 2019 (see note 2) IFRS 16 introduces a single, on-balance sheet accounting model for leases, which replaces the straight-line operating lease expense.

19. LEASING AGREEMENTS

Right-of-use assets

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

	Land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Recognised on transition	333	6	75	414
Additions to right-of-use assets	-	-	76	76
Depreciation charge for the year	(69)	(2)	(47)	(118)
Balance at 31 March 2020	264	4	104	372

Amounts recognised in profit or loss

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

	£'000
2020- Leases under IFRS 16	
Interest expense on lease liabilities	17
Expenses relating to short-term leases	16
	£'000
2019 - Operating leases under IAS 17	
Lease expense	76

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

20. PROVISION FOR LIABILITIES

	2020	2019
	£'000	£'000
Deferred tax	4	2
Clawback provision	2,191	2,148
Other provisions	947	680
	3,142	2,830

	Deferred tax	Clawback	Other	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2019	2	2,148	680	2,830
Provided/(Utilised) during the year	2	43	267	312
Balance at 31 March 2020	4	2,191	947	3,142

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

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: £421k).

In the current year provisions also includes the provision for cash amounts received that are owed to suppliers but cannot be paid out for regulatory reasons. In the previous year this was included within the clawback provision.

21. CALLED UP SHARE CAPITAL

Allotted, issued, and fully paid:			2020	2019
Number:	Class:	Nominal value:	£'000	£'000
10,550	Ordinary shares	£1	11	11

During the year the share capital was consolidated from 2,000 Ordinary A shares, 550 Ordinary B shares and 8,000 Ordinary C Shares into 10,500 Ordinary shares.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

22. RELATED PARTY DISCLOSURES

During the year Stonebridge Mortgage Solutions Limited paid £12k (2019: £36k) to Adams Property Investment Ltd. R Adams was a director of both companies but resigned as a director at Stonebridge Mortgage Solutions Limited on 1 August 2019.

The Company has taken advantage of the relief available under FRS101.8(k) in respect of the Related Party Disclosure and does not disclose transactions with wholly owned entities that are fellow group companies.

23. ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of Mortgage and Surveying Services Limited (Formerly SDL Property Services Group Limited), which is also considered to be the ultimate controlling party. The results of the Company are included in the financial statements of Mortgage and Surveying Services Limited, incorporated in England and Wales. No other group financial statements include the results of the Company. The consolidated financial statements of the group are available to the public and may be obtained from 3 – 4 Regan Way, Chilwell, Nottingham, NG9 6RZ.

24. PENSION COMMITMENTS

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £68k (2019: £8k). Contributions totalling £7k (2019: £nil) were payable to the fund at the balance sheet date.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

25. CHANGES IN ACCOUNTING POLICY

Adoption of IFRS 16

The Company 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 Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company 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 Company 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 Company 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 Company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Company 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 estimated interest rate implicit 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 Company applied this approach to all other leases.

The Company 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 Company 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.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

25. CHANGES IN ACCOUNTING POLICY – continued

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.

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 Company's financial statements for the year ending 31 March 2020.

	Impact of adoption of IFRS 16		
	As reported	Adjustments	Balances without adoption of IFRS 16
	£'000	£'000	£'000
Balance sheet			
Tangible fixed assets	407	(381)	26
Creditors (current)	(4,564)	118	(4,446)
Creditors (non-current)	(263)	263	-
 Retained Earnings	 1,755	 -	 1,755

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using the discount rates based on the risk of the lease, giving a range of rates between 4.5% and 5%.

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

25. CHANGES IN ACCOUNTING POLICY – continued

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

	1 April 2019
	£'000
Operating lease commitments at 31 March 2019 as disclosed under IAS 17	470
Discounted using the interest rate implicit in the lease at 1 April 2019	430
Recognition exemption for leases of low-value assets	(16)
Lease liabilities recognised as at 1 April 2019	414

26. FINANCIAL INSTRUMENTS

	2020	2019
	£'000	£'000
Financial Assets		
Debt instruments measured at amortised cost	2,226	2,641
Total Financial Assets	2,226	2,641
Financial Liabilities		
Instruments measured at amortised cost	1,688	4,668
Total Financial Liabilities	1,688	4,668

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors, and provision for liabilities.