Company Registration No: 06447316 (England and Wales)

EMBRACE FINANCIAL SERVICES LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

EMBRACE FINANCIAL SERVICES LIMITED
COMPANY INFORMATION

Directors
O T Blake (Resigned 7 April 23)
P F Nurding
R Raichura (Resigned 31 January 2022)
J Round (Resigned 7 April 23)
S Whittle (Appointed 4 February 2022, Resigned 7 April 2023)
T Adorian (Appointed 31 January 2022)
S Embley (Appointed 7 April 2023)

Secretary
S B Fitzgerald (Resigned 7 April 23)

Auditors
Ernst & Young LLP
2 St Peter's Square
Manchester
M2 3DF

Bankers
Barclays Bank PLC
Leicester
Leicestershire
LE87 2BB

Registered Office
Second Floor,
The Forum
Barnfield Road,
Exeter,
England
EX1 1QR

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EMBRACE FINANCIAL SERVICES LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report and financial statements for the year ended 31 December 2022.

Principal activity and review of the business

The principal activity of the Company in the year under review was that of providing mortgage and protection intermediary services.

The Company is regulated by the Financial Conduct Authority (FCA) indirectly as an Appointed Representative (AR) of the PRIMIS Network. This provides a substantial compliance infrastructure to ensure suitable outcomes for its customers.

	2022	**2021**
Revenue (£'000)	15,859	16,776
Operating loss (£'000)	(2,713)	(3,018)
Operating margin (%)	(16.92)%	(17.99)%
Number of consultants	210	217

Revenue was driven from FCA regulated income streams including Mortgage Procuration Fees, the sale of protection policies and advice fees.

Principal risk and uncertainties

The principal risk and uncertainties facing the Company are as follows:

- The Company's turnover and profitability could be adversely affect by the following external factors: the general economic position across the UK and the Eurozone, the housing market, Government schemes & initiatives, customer behaviour, provider behaviour, broker behaviour and competition from other firms.
- Ensuring ongoing compliance within the current regulatory and legislative frameworks and meeting future changes.
- The Company's results could also be affected by the following internal factors: failure to recruit or retain key staff, failure of information systems; failure to comply with relevant legislation.

Section 172 Report

As directors we have taken decisions to promote the long-term success of the Company for the benefit of its members, examples of this include moving to a singular platform technology solution for the benefit of our AR's and the end consumers.

In doing so, we have considered the interests of the company's employees, the need to foster business relationships with suppliers, customers and others and the impact of the company's operations on the community and environment. We also considered how any conflicts could be balanced, including conflicts between the long-term and short-term good of the company and the interests of different stakeholder groups.

To ensure that the requirements of s172 Companies Act 2006 are met, the interests of our stakeholder groups are considered through a combination of the following:

- Specific agenda points and papers presented at each board meeting.
- Regular communication with all employees on various topics such as operational matters or health & safety.
- Regular engagement with our external stakeholders, including, but not limited to, suppliers and customers. During 2019 the Company undertook a review of governance arrangements in relation to the Company's engagement with key stakeholders.
- Consideration of the impact of the Company's operations on the community and the environment, and how this can be improved.

Section 172 Report (continued)

In addition, the directors of the Company operate the Company in line with the objectives of the ultimate parent as at 31 December 2022, LSL Property Services plc, including with regard to stakeholder engagement. Further details of how the directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 and a detailed directors' statement required under section 414CZA of that Act, are available in the consolidated financial statements of LSL Property Services plc.

Future developments

On 11 April 2023, Embrace Financial Services Limited was acquired by Pivotal Growth Limited, with the business being integrated into the new Group structure.

The business will continue to develop and grow its panel of lenders and introducers. It will also continue to develop countercyclical income streams and to assess opportunities along the value chain which will strengthen the ability of the business to trade successfully through market downturns. The business will continue to manage its cost base appropriately as take advantage of opportunities for efficiencies and cost reduction within its new Group structure.

On behalf of the board

DocuSigned by:
Tom Adorian
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T Adorian
Director
09 April 2024

EMBRACE FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and financial statements for the year ended 31 December 2022. The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Dividends

No dividend has been paid in the year (2021 – £nil).

Going Concern

The net liability position of the Company at 31 December 2022 is (£6,292,000) (2021: £3,612,000). The company has made a loss for the year and is in a net current liabilities position of (£6,795,000) (2021: £4,203,000).

In determining whether the financial statements can be prepared on a going concern basis, the Directors have considered the Company's business activities together with the principal risks and uncertainties which are likely to affect its future performance and financial position. The key risks that the Company faces mainly relate to the current UK Market Environment, competition, and external factors such as the geopolitical uncertainties adding to existing inflationary cost pressures.

The Directors' going concern assessment period and the conclusions drawn, are for the period from the approval of these financial statements to 09/04/2025. Forecasts prepared to 09/04/2025 indicate that the company is expected to trade profitability and generate cash, taking into account the risks explained above.

As at the balance sheet date the Company participated in the LSL Group's centralised treasury management and so shares banking arrangements with its fellow subsidiaries. LSL Property Services Plc is a listed entity in the UK. The Company had obtained a letter of support from LSL as its parent company confirming that it will provide financial support to the Company, however, as described in under 'Future Developments' in the strategic report the business, on 11 April 2023, Embrace Financial Services Limited was acquired by Pivotal Growth Limited, with the business being integrated into the new Group structure, with an associated transfer of cash from LSL to reduce the net liability position. Following disposal, the group support from LSL fell away and as a result, should the company fail to generate sufficient net income and realise its assets sufficiently to discharge its liabilities as they fall due in the ordinary course of business, it would require additional funding which it would be required to seek this from an alternative source. This represents a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the timing of cashflows and liabilities and are confident that sufficient resources will be available to meet these liabilities as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the financial statements, acknowledging that there is a reasonable alternative pessimistic scenario where the company is not able to meet its liabilities, which indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. No adjustments have been made to the balances within these financial statements.

Directors'

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

O T Blake (Resigned 7 April 23)
P F Nurding
R Raichura (Resigned 31 January 2022)
J Round (Resigned 7 April 23)
S Whittle (Appointed 4 February 2022, Resigned 7 April 2023)
T Adorian (Appointed 31 January 2022)
S Embley (Appointed 7 April 2023)

Financial instruments

Liquidity risk

The Treasury Department in the ultimate parent company managed the liquidity risk in the group, in which they monitor the cash flow position of the company to prevent shortage of funds to meet liabilities when they fall due.

Credit risk

There are no significant concentrations of credit risk within the company. It is the Company policy to obtain appropriate details of new Authorised Representatives before entering into contracts. The company is exposed to a credit risk in respect to making some payments prior to receiving the revenue. The majority of payments are made after receipt of the associated funds from the providers.

Statement of directors' responsibilities

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, *including FRS 101 Reduced Disclosure Framework (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 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 accounting 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;
- 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. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

DocuSigned by:
Tom Adorian
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T Adorian
Director
09 April 2024

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF EMBRACE FINANCIAL SERVICES LIMITED

Opinion

We have audited the financial statements of Embrace Financial Services Limited for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Balance Sheet and Statement of changes in Equity and the related notes 1 to 18, 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 101 "Reduced Disclosure Framework 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 company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2.2 in the financial statements, which indicates that the going concern of the Company is dependent on the Company generating sufficient income and realising its assets adequately enough to discharge its liabilities in the ordinary course of business and should the Company not be able to do so it would be required to seek an alternative source of funding which is not guaranteed. As stated in note 2.2, these events or conditions along with other matters indicate that a material uncertainty exists, that may cast significant doubt on the Company's ability to continue as a 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. Our opinion is not modified in respect of this matter.

Our responsibilities and the responsibilities of the directors with regard to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF EMBRACE FINANCIAL SERVICES LIMITED

- the strategic report and 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities 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, 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 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 company or to cease operations, or have no realistic alternative but to do so.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Embrace Financial Services Limited and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, and UK tax legislation.

- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicated its policies and procedures in these areas. We corroborated the results of our enquiries through reading the board minutes and other correspondence, making enquiries of management to identify if there are matters where there is a risk of breach of such frameworks that could have a material impact on the Company.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override. We considered the controls the company has established to address the risks identified by the directors or that otherwise seek to prevent, deter, or detect fraud; and how management monitors these controls. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF EMBRACE FINANCIAL SERVICES LIMITED

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiries of management and those charged with governance for their awareness of any known instances of noncompliance or suspected noncompliance with laws and regulations, reviewing key policies and correspondence exchanged with regulators. We designed audit procedures to address the risk of fraud in key areas of estimation and revenue recognition and performed journal entry testing by considering specific risk criteria based on our understanding of the Company's business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://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.

DocuSigned by:
Ernst & Young LLP
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Richard Vessey (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Manchester

09 April 2024

EMBRACE FINANCIAL SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Revenue	3	15,859	16,776
Administrative expenses	3	(18,522)	(19,794)
Operating loss	4	(2,663)	(3,018)
Income tax	8	(17)	(108)
Operating loss after tax		(2,680)	(3,125)
Other comprehensive income		-	-
Total comprehensive loss		(2,680)	(3,125)

All of the above are derived from continuing operations.

EMBRACE FINANCIAL SERVICES LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Property, plant and equipment	9	57	10
Deferred tax asset	8	15	32
Contract assets	12	431	550
		503	592
Current assets			
Trade and other receivables	10	4,593	3,211
		4,593	3,211
Total assets		5,096	3,803
Current liabilities			
Trade and other payables	11	7,577	6,886
Bank loans and overdrafts		3,811	730
		11,388	7,415
Net liabilities		(6,292)	(3,612)
Shareholder's equity			
Share capital	14	-	-
Share based payment reserve	15	78	78
Retained earnings		(6,370)	(3,690)
Total shareholder's equity		(6,292)	(3,612)

The financial statements were approved by the Board on 09 April 2024 and were signed on its behalf by:

DocuSigned by:

Tom Adorian

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T Adorian
Director

Company Registration number: 06447316

EMBRACE FINANCIAL SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2022

	Share capital	Share based payment reserve	Retained earnings	Total shareholders ' equity
	£'000	£'000	£'000	£'000
At 1 January 2021	-	41	(565)	(524)
Loss for the year	-	-	(3,125)	(3,125)
Total comprehensive loss for the year	-	-	(3,125)	(3,125)
Share-based payment transactions	-	37	-	37
At 31 December 2021	-	78	(3,690)	(3,612)
Loss for the year	-	-	(2,680)	(2,680)
Total comprehensive loss for the year	-	-	(2,680)	(2,680)
Share-based payment transactions		-	-	-
At 31 December 2022	-	78	(6,370)	(6,292)

1. Corporate Information

The financial statements of Embrace Financial Services Limited for the year ended 31 December 2022 were authorised for issue by the board of directors on 09 April 2024 and the balance sheet was signed on the board's behalf by T Adorian. Embrace Financial Services Limited is a private limited company incorporated in England. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of LSL Property Services plc.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention.

The Company's financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand (£'000) except when otherwise indicated. The Company's financial statements are individual entity financial statements. The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of LSL Property Services plc.

2. Accounting policies

2.1 *Basis of preparation*

The Company has prepared primary statements in accordance with International Financial Reporting Standards. The Company's ultimate parent undertaking and controlling party as at 31 December 2022 was LSL Property Services plc, a Company registered in England. Its group financial statements are available on application to the Group Company Secretary, LSL Property Services plc, Newcastle House, Albany Court, Newcastle Business Park, Newcastle upon Tyne, NE4 7YB. No other group financial statements include the results of the Company. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because: the share based payment arrangement concerns the instruments of another group entity.
(b) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
   (i) paragraph 79(a)(iv) of IAS 1;
   (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
   (iii) paragraph 118(e) of IAS 38 Intangible Assets;
(c) the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D and 134-136 of IAS 1 Presentation of Financial Statements;
(d) the requirements of IAS 7 Statement of Cash Flows;
(e) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
(g) requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

2.2 *Significant accounting policies*

Going Concern

The net liability position of the Company at 31 December 2022 is (£6,292,000) (2021: 3,612,000). The company has made a loss for the year and is in a net current liabilities position of (£6,795,000) (2021,: £4,203,000).

In determining whether the financial statements can be prepared on a going concern basis, the Directors have considered the Company's business activities together with the principal risks and uncertainties which are likely to affect its future performance and financial position. The key risks that the Company faces are described in the Strategic/Directors Report and mainly relate to the current UK Market Environment, competition, and external factors such as the geopolitical uncertainties adding to existing inflationary cost pressures.

2. Accounting policies (continued)

2.2 *Significant accounting policies (continued)*

The Directors' going concern assessment period and the conclusions drawn, are for the period from the approval of these financial statements to 09/04/2025. Forecasts prepared to 09/04/2025 indicate that the company is expected to trade profitability and generate cash, taking into account the risks explained above.

As at the balance sheet date the Company participated in the LSL Group's centralised treasury management and so shares banking arrangements with its fellow subsidiaries. LSL Property Services Plc is a listed entity in the UK. The Company had obtained a letter of support from LSL as its parent company confirming that it will provide financial support to the Company, however, as described in under 'Future Developments' in the strategic report the business, on 11 April 2023, Embrace Financial Services Limited was acquired by Pivotal Growth Limited, with the business being integrated into the new Group structure, with an associated transfer of cash from LSL to reduce the net liability position. Following disposal, the group support from LSL fell away and as a result, should the company fail to generate sufficient net income and realise its assets sufficiently to discharge its liabilities as they fall due in the ordinary course of business, it would require additional funding which it would be required to seek this from an alternative source. This represents a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the timing of cashflows and liabilities and are confident that sufficient resources will be available to meet these liabilities as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the financial statements, acknowledging that there is a reasonable alternative pessimistic scenario where the company is not able to meet its liabilities, which indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. No adjustments have been made to the balances within these financial statements.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Financial assets are derecognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the Company commits to purchase or sell the asset. The subsequent measurement of financial assets depends on their classification.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Fixtures and fittings – 3 years straight line

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprises cash at bank and in hand.

Trade receivables

Trade receivables do not carry any interest and are stated at their original invoiced value as reduced by appropriate allowances for estimated irrecoverable amounts.

Under IFRS 9 the chosen method of recognising the expected credit loss across the company is the simplified approach allowing a provision matrix to be used. This is based on the expected life of trade receivables and historic default rates.The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are de-recognised when they are assessed as uncollectible.

2. Accounting policies (continued)

2.2 *Significant accounting policies (continued)*

Trade payables

Trade payables do not carry any interest and are stated at their original invoice value.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs.

Revenue recognition

Revenue is recognised under IFRS 15. This standard is based on a single model that distinguishes between promises to a customer that is satisfied at a point in time and those that are satisfied over time.

Revenue from mortgage procuration fees is recognised at point in time by reference to the completion date of the mortgage on the housing transaction. Revenue from the policy sales is recognised at point in time by reference to the date that the policy is accepted by the insurer. Revenue from other income is recognised at a point in time by reference to the completion date of the transaction.

Pensions

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are invested and managed independently of the finances of the Company. The pension cost charge represents contributions payable in the year. The contributions are recognised in the income statement in the period in which they become payable.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. The Management Team periodically evaluates positions taken in the tax returns with respect to the situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting period and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment. Income tax is charged or credited directly to other comprehensive income or equity, if it relates to items that are charged or credited in the current or prior periods to other comprehensive income or equity respectively. Otherwise income tax is recognised in the income statement.

2. Accounting policies (continued)

2.2 Significant accounting policies (continued)

Share-based payments

The equity share option programme allows employees to acquire shares of the ultimate holding company. The fair value of the option granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitles to the options. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vests. No expense is recognised for awards that do not ultimately vest, except for equity settled transactions where vesting is conditional upon a market or non-vesting condition, which is treated as vesting irrespective of whether or not the market or non-market vested condition, is satisfied, provided that all other performance and/or service conditions are satisfied.

Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following note on lapse provision.

Accrued income cut off

Accrued income relating to policies or mortgages with an inception or completion date in the financial year is included if commission has not been received at the year end. Estimates are applied to the basis of calculation of this accrued income which is based on historic post year end revenue as a proportion of the subsequent year's revenue.

Lapse provision

Significant judgement is required when provisioning for potential clawbacks. Under certain circumstances, the policy providers can clawback all or a proportion of commission previously paid as a result of early cancellation by policy holders. Under such circumstances, the Company is required to repay that element of commission attributable to the cancellation. In the opinion of the directors, this obligation is considered to be a legal obligation, and as such, is provided for in full, based on the anticipated clawback likely to occur. The provision is calculated by using historical lapses as a proportion of sales in that period and then applying that proportion rate against live policies to form an estimate.

Agent versus principal

As recognised by IFRS 15, assessing whether the company is acting as a principal or an agent requires judgement which can significantly affect the timing and amount of revenue recognised. the company has determined that it is acting as an agent of the customer and only recognises the company's share of commission as revenue.

3. Revenue

The total revenue of the company for the year has been derived from its activities undertaken in the United Kingdom.

Disaggregation of Revenue

Set out below is the disaggregation of the Company's revenue from contracts with customers:

2022

	2022	2021
	£'000	£'000
Timing of revenue recognition:		
Services transferred at a point in time	15,859	16,776
Services transferred over time	-	-
Total revenue from contracts with customers	15,859	16,776

4. Operating loss

	2022 £'000	2021 £'000
Operating (loss) is stated after charging:		
Depreciation – Owned assets	12	8

5. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2022 £'000	2021 £'000
Fees payable to the Company's auditor for the audit of the company's financial statements	12	16

Non audit remuneration is disclosed within LSL Property Services plc group accounts.

6. Directors' remuneration

The directors of the Company were paid by the ultimate holding company and other group subsidiary companies.

The directors received total remuneration for the year of £1,182,548 (2021 - £3,236,870), including pension costs of £35,319 (2021 - £37,931). The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and the services as directors of the holding and fellow subsidiary companies.

The Company operates money purchase pension schemes for the directors in office. Director's contributions are matched by the company up to a maximum of 5% of pensionable earnings.

The number of directors who were members of the money purchase pension schemes during the financial year totalled 6 (2021 – 5).

The remuneration of the highest paid director who is employed by the Company amounted to £340,996. Company contributions to money purchase pension schemes for that director amounted to £11,388 (2021 - £nil).

The number of directors who exercised share options during the year was 3 (2021 – 3).

7. Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2022	2021
	No.	No.
Provision of financial services	322	329

Staff costs including directors' remuneration, were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	14,168	14,483
Social security costs	1,575	1,551
Other pension costs (Note 13)	789	702
Cost of share option scheme	-	40
Total	16,533	16,777

8. Taxation

	2022	2021
	£'000	£'000
Current income tax:		
UK corporation tax (credit) on loss for the year	-	-
Adjustments in respect of prior periods	-	124
Total current income tax	-	124
Deferred tax:		
Origination and reversal of timing differences	12	(11)
Impact of changes in tax rates	4	(8)
Adjustments in respect of prior periods	1	3
Total deferred tax	17	(16)
Tax charge/(credit) in profit or loss	17	108

8 Taxation (continued)

Reconciliation of the total tax charge

The tax credit in profit or loss for the year is higher (2021: lower) than the standard rate of corporation tax in the UK of 19.00% (2021:19.00%). The differences are explained below:

	2022 £'000	2021 £'000
Accounting loss before income tax	(2,663)	(3,018)
Tax calculated at UK standard rate of corporation tax of 19% (2021: 19%)	(506)	(583)
Expenses not deductible for tax purposes	-	56
Share scheme movements	7	(10)
RDEC	(2)	527
Transfer pricing	33	(1)
Adjustments in respect of prior years	1	126
Changes in tax laws and rates	4	(7)
Group relief for nil payment	238	-
Losses not recognised	242	-
Tax (credit) in profit or loss	17	108

Change in corporation tax rates

Corporation tax is recognised at the headline UK corporation tax rate of 19% (2021: 19%).

On 4 March 2021 the UK Government announced an intention to increase the rate of corporation tax to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021 and therefore the deferred tax balances have been restated to reflect a rate of 25%.

Deferred taxation in the financial statements and the amounts provided are as follows:

	2022 £'000	2021 £'000
Deferred taxation provided:		
Depreciation charged in advance of capital allowances	(1)	-
Short term timing differences	16	32
Deferred tax asset	15	32

	2022 £'000	2021 £'000
Deferred taxation not provided:		
Losses	318	-
	318	-

A deferred tax asset has not been recognised on the basis that the Company has made losses in 2021 and 2022 and it is therefore uncertain when this could be utilised.

9 Property, plant and equipment

	Fixtures, fittings and equipment	Total
	£'000	£'000
Cost:		
At 1 January 2022	26	26
Additions	59	59
Disposals	-	-
At 31 December 2022	85	85
Depreciation:		
At 1 January 2022	16	16
Charge for the year	12	12
Written off on disposal	-	-
At 31 December 2022	28	28
Net book value:		
At 31 December 2022	57	57
At 31 December 2021	10	10

10 Trade and other receivables

	2022 £'000	2021 £'000
Due within one year:		
Trade and other receivables	390	324
Less expected credit loss	-	-
Net trade receivables	390	324
Amounts owed by ultimate parent company	-	-
Amounts owed by fellow subsidiary undertakings	3,868	2,683
Contract Assets	165	165
Corporation tax	-	-
Prepayments and accrued income	170	40
	4,593	3,212

The Company's chosen method of recognising the expected credit loss is the simplified approach allowing a provision matrix to be used, which is based on the expected life of trade receivables, historic default rates and forward looking information.

As at 31st December, an analysis of trade receivables by credit risk rating grades is as follows:

	Total	Neither past due nor impaired	<30 days	30-60 days	60 – 90 days	90 – 120 days	> 120 days
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2022	390	390	-	-	-	-	-
2021	324	324	-	-	-	-	-

11 Trade and Lapse Provision

	2022 £'000	2021 £'000
Due within one year:		
Trade payables	6	19
Amounts owed to parent company	4,054	3,256
Amount owed to fellow subsidiary undertakings	612	684
Taxes and social security costs	457	479
Lapse Provision	1,750	1,231
Accruals and deferred income	698	1,017
	7,577	6,686

12 Contact assets

	2022 £'000	2021 £'000
Current		
With 12 months	165	165
Non-current		
Between 12 and 60 months	431	550
Total contract assets	596	715

13 Pension and other post-retirement benefit commitments

Defined contribution

The Company operates defined contribution pension schemes for all its directors and certain employees. The assets of the schemes are held separately from those of the Company in independently administered funds.

Total amount recognised as an expense for both the defined contribution scheme and the defined contribution stakeholder scheme were £788,984 (2021: £702,304); of which £55,671 was outstanding at the balance sheet date (2021: £69,697)

14 Share capital

	2022 £	2021 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
100 class 'A' ordinary shares of £1 each	100	100

15 Reserves

Share based payment reserve

The share-based payment reserve is used to record the value of equity-settled share-based payment provided to the employees, as part of their remuneration.

16 Contingent Liabilities

During 2022, the Company was party to a bank overdraft and revolving credit facility totaling £90m (2021: £90m) which are secured by cross guarantees from this company and a number of the Company's fellow subsidiaries and the Company's parent company. As at 31 December 2022, the amount drawn under these facilities was nil (2021: £nil) and there was a £nil overdraft (2021: £nil). The Group's loan facility was amended and restated during February 2023 with a new credit limit of £60 million. On 11 April 2023, the Group announced the sale of Embrace Financial Services to Pivotal Growth Limited. From this date, Embrace Financial Services Limited was removed from the cross guarantee for the revolving credit facility.

17 Immediate and ultimate parent undertaking

The Company was acquired by Pivotal Growth Limited on 11th April 2023. Post acquisition, the Company's ultimate parent undertaking and controlling party is Mottram TopCo Ltd.

Prior to this date the Company's ultimate parent undertaking was LSL Property Services plc, a Company registered in England. Its group financial statements are available on application to the Group Company Secretary, LSL Property Services plc, Newcastle House, Albany Court, Newcastle Business Park, Newcastle upon Tyne, NE4 7YB. No other group financial statements include the results of the Company.

18 Post balance sheet event

On 11 April 2023, the Group announced the sale of Embrace Financial Services Limited to Pivotal Growth Limited. The consideration payable for EFS will be 7x the EBITDA in calendar year 2023, subject to working capital adjustment, capped at a maximum of £10m and payable in H1 2025.