

**Registered Number 05774507**

**LMS Direct Conveyancing Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 December 2016**



# LMS Direct Conveyancing Limited

## Annual Report and Financial Statements

### for the year ended 31 December 2016

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# **LMS Direct Conveyancing Limited**

## **Directors and advisers for the year ended 31 December 2016**

### **Directors**

John Jones

Robert Hastie

Nick Chadbourne (appointed 1 March 2016)

Edwina Homfray-Davies (appointed 1 March 2016 / resigned 2 December 2016)

Hayley Hellon (appointed 8 December 2016)

### **Company Secretary**

Peter Clarkson

### **Registered Office**

Bickerton House

Lloyd Drive

Ellesmere Port

CH65 9HQ

England

### **Registered Number**

05774507

### **Independent Auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

8 Princes Parade

St Nicholas Place

Liverpool

L3 1QJ

### **Solicitors**

Brabners Chaffe Street

Brook House

77 Fountain Street

Manchester

M2 2EE

### **Bankers**

Barclays Bank plc

Corporate Banking Centre

PO Box 357

Manchester

M60 2AU

# **LMS Direct Conveyancing Limited**

## **Strategic Report for the year ended 31 December 2016**

The Directors present the Strategic Report on the Company for the year ended 31 December 2016.

### **Principal activities**

LMS Direct Conveyancing Limited provides remortgage and transactional conveyancing services. Instructions are received from Legal Marketing Services Limited, a fellow group company, on behalf of UK lenders, mortgage brokers and estate agents. The Company also receives instructions directly from a number of other sources independently of Legal Marketing Services Limited. The Company processes conveyancing for instructions received from Legal Marketing Services Limited, in a similar capacity to other companies on the list of approved panel of solicitors and licensed conveyancers for completion. Information on progress of transactions is distributed, in a secure environment, over the internet, to the parties to the transaction.

LMS Direct Conveyancing Limited also provides property search information on certain of its transactions.

### **Review of the Business**

The UK housing and lending market continued the improvements seen in recent years, with gross lending increasing by 12% from £220bn in 2015 to an estimated £246bn in 2016, the highest annual gross lending figure since 2008.

At LMS Direct Conveyancing Limited, the business has been restructured during 2016, with the aim of returning the business to profitability. The trading results for the year, and the Company's financial position at the end of the year, are shown in the attached financial statements. Revenue for the year to 31 December 2016 was £4.8m which represents a 26% increase in revenue from £3.8m for the year to 31 December 2015. The loss on ordinary activities before taxation for the year reduced to £442,893 for the year to 31 December 2016, compared to a loss of £636,410 for the year to 31 December 2015.

### **Non-financial risks**

The company is dependent on Legal Marketing Services Limited and its investors for the majority of its work. If Legal Marketing Services Limited were unable to renew its remortgage and conveyancing contracts with lenders, this would have a major impact on the company. In addition, the Company must continue to provide high levels of service to lenders and borrowers, so that its position on UK mortgage lender panels is not jeopardised.

As the Company looks to expand capacity, there are inherent risks associated with expansion, together with availability of suitably qualified labour.

### **Financial risk management**

The Company's operations expose it to a number of financial risks, principally interest rate risk. Interest rate volatility can stimulate remortgage activity, which in itself is favourable. The Company holds client balances on which it earns interest, and as such therefore is exposed to changes in the UK Base Rate and LIBOR.

The Finance Director of the wider group has the responsibility for assessing the levels of financial risks, and seeks to limit the adverse effects on the financial performance of the company by monitoring the company's exposure to movements in interest rates and general credit risk.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the Board of Directors are implemented by the Company's finance department.

# **LMS Direct Conveyancing Limited**

## **Strategic Report for the year ended 31 December 2016 (Continued)**

### **Future developments**

The Council of Mortgage Lenders forecasts that gross mortgage lending in 2017 will be up 1% on 2016. However, with housing transactions expected to fall by just over 5% in 2017, the CML reports that they expect remortgage activity to pick up the slack. Overall remortgage activity was up 14% in 2016, and there is momentum for further increases in activity, as competition amongst lenders has kept mortgage rates at historic lows. The lending and conveyancing industry will continue to face some capacity issues in delivering this increase.

For LMS Direct Conveyancing Limited, the key focus in 2017 will be on productivity and customer service, in order to maintain the return to profitability seen since the start of 2017.

### **Key Performance Indicators.**

The directors measure the performance of the business using a number of key performance indicators (KPIs). The most significant ones are as follows:

- number of instructions
- number of completions (2016: 9,513, 32% higher than 7,234 in 2015)
- average gross profit by business stream by introducer
- average timescales from instruction to completion
- proportion of cancellations relative to instructions
- average completions per fee earner
- month on month movement in instructions by introducer type
- number of complaints relative to instruction levels.

Most of the businesses' major introducers are under long term contracts. As a result, the average gross profit by business stream has been consistent with previous years, and in line with contractual terms.

By order of the Board



Peter Clarkson

Company Secretary

21 September 2017

# **LMS Direct Conveyancing Limited**

## **Directors' report for the year ended 31 December 2016**

The Directors present the report and the audited financial statements of the Company for the year to 31 December 2016.

### **Future developments**

An indication of the likely future developments of the business is included in the Strategic Report on pages 4 and 5.

### **Dividends**

The Company did not pay a dividend to its parent company, Cybele Solutions Limited, in 2016 (2015: £nil).

### **Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Cybele Solutions Holdings Limited. The directors have received confirmation that Cybele Solutions Holdings Limited intends to support the company for at least one year after these financial statements are signed.

### **Financial risk management**

Financial risk management is described in the Strategic Report on page 4.

### **Directors**

The directors of the Company who served during the year and to the date of this report are:

John Jones

Robert Hastie

Nick Chadbourne (appointed 1 March 2016)

Edwina Homfray-Davies (appointed 1 March 2016 / resigned 2 December 2016)

Hayley Hellon (appointed 8 December 2016)

### **Directors' indemnities**

The Company maintained throughout the year, and at the date of approval of the financial statements, liability insurance for its directors and officers. This is a qualifying provision for the purposes of the Companies Act 2006.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

# **LMS Direct Conveyancing Limited**

## **Directors' Report for the year ended 31 December 2016 (Continued)**

### **Statement of directors' responsibilities (continued)**

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.

The directors 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.

### **Statement of disclosure of information to auditors**

In the case of each of the persons who are directors at the time when the report is approved under section 418 of the Companies Act 2006 the following applies:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

### **By order of the Board**



Peter Clarkson

Company Secretary

21 September 2017

# **LMS Direct Conveyancing Limited**

## **Independent auditors' report to the members of LMS Direct Conveyancing Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, LMS Direct Conveyancing Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

#### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2016;
- the Income statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



# **LMS Direct Conveyancing Limited**

## **Independent auditors' report to the members of LMS Direct Conveyancing Limited**

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of director's responsibilities set out on pages 6 and 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

*Jonathan Studholme*

Jonathan Studholme (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

21 September 2017

# LMS Direct Conveyancing Limited

## Income statement for the year ended 31 December 2016

|  | Note | Year ended<br>2016<br>£ | Year ended<br>2015<br>£ |
|--|------|-------------------------|-------------------------|
| Revenue  | 2    | 4,863,420               | 3,838,316               |
| Cost of sales                                      |      | (1,910,988)             | (1,487,049)             |
| <b>Gross profit</b>                                |      | <b>2,952,432</b>        | <b>2,351,267</b>        |
| Administrative expenses                            |      | (3,399,044)             | (2,995,850)             |
| <b>Operating loss</b>                              | 3    | <b>(446,612)</b>        | <b>(644,583)</b>        |
| Interest receivable and similar income             | 6    | 3,719                   | 8,173                   |
| <b>Loss on ordinary activities before taxation</b> |      | <b>(442,893)</b>        | <b>(636,410)</b>        |
| Tax on loss  | 7    | 3,742                   | (4,023)                 |
| <b>Loss for the financial year</b>                 | 14   | <b>(439,151)</b>        | <b>(640,433)</b>        |

The notes on pages 13 to 23 form an integral part of these financial statements.

All of the results presented above relate to continuing operations.

# LMS Direct Conveyancing Limited

## Statement of financial position as at 31 December 2016

|  | Note | £           | 2016<br>£ | £           | 2015<br>£ |
|--|------|-------------|-----------|-------------|-----------|
| <b>Fixed assets</b>                            |      |             |           |             |           |
| Property, plant and equipment                  | 8    |             | 27,628    |             | 19,355    |
| <b>Current assets</b>                          |      |             |           |             |           |
| Debtors  | 9    | 6,290,074   |           | 5,487,313   |           |
| Cash at bank and in hand                       |      | 436,069     |           | 363,302     |           |
|  |      | 6,726,143   |           | 5,850,615   |           |
| Creditors: amounts falling due within one year | 10   | (7,693,028) |           | (6,370,076) |           |
| <b>Net current liabilities</b>                 |      |             | (966,885) |             | (519,461) |
| <b>Total assets less current liabilities</b>   |      |             | (939,257) |             | (500,106) |
| <b>Capital and reserves</b>                    |      |             |           |             |           |
| Called up share capital                        | 13   |             | 1         |             | 1         |
| Profit and loss account                        | 14   |             | (939,258) |             | (500,107) |
| <b>Total shareholders' deficit</b>             | 15   |             | (939,257) |             | (500,106) |

The notes on pages 13 to 23 form an integral part of these financial statements.

The financial statements on pages 10 to 23 were approved by the board of directors on 21 September 2017 and were signed on its behalf by:

Robert Hastie  
Director



# LMS Direct Conveyancing Limited

## Statement of changes in equity for the year ended 31 December 2016

|                             | Called<br>up share<br>capital | Profit and<br>Loss Account | Total<br>Shareholders'<br>funds / (deficit) |
|-----------------------------|-------------------------------|----------------------------|---|
|                             | £                             | £                          | £   |
| At 1 January 2015           | 1                             | 140,326                    | 140,327                                     |
| Loss for the financial year | -                             | (640,433)                  | (640,433)                                   |
| <b>At 31 December 2015</b>  | <b>1</b>                      | <b>(500,107)</b>           | <b>(500,106)</b>                            |
| At 1 January 2016           | 1                             | (500,107)                  | (500,106)                                   |
| Loss for the financial year | -                             | (439,151)                  | (296,151)                                   |
| <b>At 31 December 2016</b>  | <b>1</b>                      | <b>(939,258)</b>           | <b>(796,257)</b>                            |

# **LMS Direct Conveyancing Limited**

## **Notes to the financial statements for the year ended 31 December 2016**

### **1 Accounting policies**

#### **General information**

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Bickerton House, Lloyd Drive, Ellesmere Port, CH65 9HQ.

#### **Statement of compliances**

The financial statements of LMS Direct Conveyancing Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Basis of accounting**

The financial statements have been prepared on a going concern basis, under the historic cost and in accordance with applicable accounting standards and the Companies' Act 2006 and applicable Accounting Standards in the United Kingdom.

#### **Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Cybele Solutions Holdings Limited. The directors have received confirmation that Cybele Solutions Holdings Limited intend to support the company for at least one year after these financial statements are signed.

#### **Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- (i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- (ii) from the requirement to present financial instrument disclosures, as required by FRS 102 paragraphs 11.39 to 11.48A, paragraphs 12.26 and 12.29;
- (iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv); and

# **LMS Direct Conveyancing Limited**

## **Notes to the financial statements for the year ended 31 December 2016 (continued)**

### **1 Accounting policies (continued)**

#### **Critical accounting judgements and estimation uncertainty**

Company management and the board of directors make estimates and assumptions about the future. These estimates and assumptions impact recognised assets and liabilities, as well as revenue and expenses and other disclosures. These estimates are based on historical experience and on various assumptions considered reasonable under the prevailing conditions. The actual outcome may diverge from these estimates if other assumptions are made, or other conditions arise. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the financial year include:-

- Using information available at the balance sheet date, the Directors make judgments based on experience regarding the level of provision required to account for potentially uncollectible receivables.
- Accruals for corporation tax contingencies require the Directors to estimate the level of corporation tax that will be payable based upon the interpretation of applicable tax legislation and an assessment of the likely outcome of any open tax computations. All such accruals are included within current liabilities.
- The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Therefore, estimates are made to establish whether deferred tax balances should be recognised.

#### **Revenue**

Revenue represents the amounts derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax. All revenue is generated within the United Kingdom. For remortgage work, revenue represents the total fee received by LMS Direct Conveyancing Limited from a lender after deduction of VAT and any interest earned on mortgage advances.

Revenue is recognised at the point of the completion of a remortgage or transactional case.

#### **Related party disclosures**

The Company is also exempt under the terms of FRS102 paragraph 33.1(a) from disclosing related party transactions with entities that are part of the Cybele Solutions Holdings Limited group.

#### **Property, Plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

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

|                       |   |         |
|-----------------------|---|---------|
| Equipment             | - | 3 years |
| Fixtures and fittings | - | 3 years |
| Computers             | - | 3 years |

Software costs are written off as incurred.

# **LMS Direct Conveyancing Limited**

## **Notes to the financial statements for the year ended 31 December 2016 (continued)**

### **1 Accounting policies (continued)**

#### **Operating lease agreements**

Rentals paid under operating leases are charged to income on a straight line basis over the life of the agreement.

The company has taken advantage of the exemption under paragraph 35.10(p) of FRS 102 in respect of lease incentives on leases in existence on the date of transition to FRS 102 and continues to credit such lease incentives to the income statement over the period to the first review date on which the rent is adjusted to market rates.

#### **Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case tax is also recognised directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

#### *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date and that result in an obligation to pay more tax in the future or right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

# LMS Direct Conveyancing Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 2 Revenue

All revenue is derived from one class of business, being property related services, and is wholly derived in the United Kingdom.

### 3 Operating loss

Operating loss is stated after charging:

|   | Year ended 2016<br>£ | Year ended 2015<br>£ |
|---|----------------------|----------------------|
| Depreciation of property, plant and equipment |                      |                      |
| - owned assets                                | 17,831               | 16,802               |
| Auditors' remuneration                        |                      |                      |
| - as auditors                                 | 16,405               | 9,900                |
| - for non audit services                      | 2,100                | 5,700                |
| Operating lease charges                       | 64,766               | 63,888               |

### 4 Particulars of employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

| By activity                    | Year ended<br>2016<br>Number | Year ended<br>2015<br>Number |
|--------------------------------|------------------------------|------------------------------|
| Number of administrative staff | 94                           | 83                           |
|                                | Year ended<br>2016<br>£      | Year ended<br>2015<br>£      |
| Wages and salaries             | 2,043,855                    | 1,824,047                    |
| Social security costs          | 172,476                      | 162,088                      |
| Other pension costs            | 26,420                       | 39,430                       |
| <b>Total Staff costs</b>       | <b>2,242,751</b>             | <b>2,025,565</b>             |



# **LMS Direct Conveyancing Limited**

## **Notes to the Financial Statements for the year ended 31 December 2016 (continued)**

### **5 Directors' emoluments**

The directors' aggregate emoluments in respect of qualifying services were:

|                      | <b>Year ended<br/>2016<br/>£</b> | <b>Year ended<br/>2015<br/>£</b> |
|----------------------|----------------------------------|----------------------------------|
| Aggregate emoluments | <b>197,127</b>                   | <b>238,268</b>                   |

The emoluments of the highest paid director were £76,834 (2015: £89,768).

### **6 Interest receivable and similar income**

|                          | <b>Year ended<br/>2016<br/>£</b> | <b>Year ended<br/>2015<br/>£</b> |
|--------------------------|----------------------------------|----------------------------------|
| Bank interest receivable | <b>3,719</b>                     | <b>8,173</b>                     |

# LMS Direct Conveyancing Limited

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 7 Tax on loss

|   | Note | Year ended<br>2016<br>£ | Year ended<br>2015<br>£ |
|---|------|-------------------------|-------------------------|
| <b>Current Tax</b>  |      |                         |                         |
| Corporation tax based on the results for the year at 20.00%<br>(2015: 20.25%) |      | -                       | -                       |
| Adjustments in respect of prior years   |      | -                       | (158)                   |
| <b>Total current tax</b>  |      | -                       | (158)                   |
| Deferred tax (credit) / charge  | 12   | (3,742)                 | 4,181                   |
| <b>Total deferred tax</b>   |      | (3,742)                 | 4,181                   |
| <b>Tax on loss</b>  |      | (3,742)                 | 4,023                   |

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:

|  | Year ended<br>2016<br>£ | Year ended<br>2015<br>£ |
|--|-------------------------|-------------------------|
| <b>Loss on ordinary activities before taxation</b>                                       | <b>(442,893)</b>        | <b>(636,410)</b>        |
| Loss on ordinary activities multiplied by the standard rate of 20.00%<br>(2015 : 20.25%) | <b>(88,579)</b>         | <b>(128,845)</b>        |
| Effects of:  |                         |                         |
| Income not subject to tax  | -                       | (5,636)                 |
| Re-measurement of deferred tax – change in UK tax rate                                   | 1,406                   | 1,605                   |
| Adjustments in respect of prior years  | (1,440)                 | (158)                   |
| Transfer pricing adjustments   | (8,538)                 | -                       |
| Group relief not paid for  | 93,409                  | 137,057                 |
| <b>Total tax (credit)/ charge for the financial year</b>                                 | <b>(3,742)</b>          | <b>4,023</b>            |

# LMS Direct Conveyancing Limited

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 7 Tax on loss (continued)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred tax with regards to fixed assets and general provisions have been calculated using the tax rate of 17% on a prudent approach being the tax rate applicable from April 2020. A tax rate of 19% has been used with regards to pension contributions to reflect the rate change taking place in 2017.

### 8 Property, plant and equipment

|                                 | Equipment     | Fixtures<br>and fittings | Computers      | Total          |
|---------------------------------|---------------|--------------------------|----------------|----------------|
|                                 | £             | £                        | £              | £              |
| <b>Cost or valuation</b>        |               |                          |                |                |
| At 1 January 2016               | 34,816        | 15,706                   | 104,934        | 155,456        |
| Additions                       | -             | 3,013                    | 23,091         | 26,104         |
| <b>At 31 December 2016</b>      | <b>34,816</b> | <b>18,719</b>            | <b>128,025</b> | <b>181,560</b> |
| <b>Accumulated depreciation</b> |               |                          |                |                |
| At 1 January 2016               | 34,155        | 9,109                    | 92,837         | 136,101        |
| Charge for the year             | 467           | 3,646                    | 13,718         | 17,831         |
| <b>At 31 December 2016</b>      | <b>34,622</b> | <b>12,755</b>            | <b>106,555</b> | <b>153,932</b> |
| <b>Net book value</b>           |               |                          |                |                |
| <b>At 31 December 2016</b>      | <b>194</b>    | <b>5,964</b>             | <b>21,470</b>  | <b>27,628</b>  |
| At 31 December 2015             | 661           | 6,597                    | 12,097         | 19,355         |

# **LMS Direct Conveyancing Limited**

## **Notes to the Financial Statements for the year ended 31 December 2016 (continued)**

### **9 Debtors**

|                                    | <b>31 December<br/>2016<br/>£</b> | <b>31 December<br/>2015<br/>£</b> |
|------------------------------------|-----------------------------------|-----------------------------------|
| Unbilled receivables               | 771,170                           | 199,023                           |
| Client Account                     | 5,291,807                         | 4,933,534                         |
| Deferred tax (note 12)             | 18,480                            | 14,738                            |
| Amounts owed by group undertakings | -                                 | 183,389                           |
| Prepayments and accrued income     | 208,617                           | 156,629                           |
|                                    | <b>6,290,074</b>                  | <b>5,487,313</b>                  |

Client account represents client account bank balances with a corresponding amount payable within other creditors (see note 10).

Amounts owed by group undertakings are unsecured, not interest bearing and repayable on demand.

Unbilled receivables are stated after provision of £173,000 (2015 : £8,000).

### **10 Creditors: amounts falling due within one year**

|                                    | <b>31 December<br/>2016<br/>£</b> | <b>31 December<br/>2015<br/>£</b> |
|------------------------------------|-----------------------------------|-----------------------------------|
| Trade creditors                    | 158,703                           | 155,570                           |
| VAT                                | 876                               | -                                 |
| Amounts owed to group undertakings | 1,849,844                         | 1,139,444                         |
| Other creditors                    | 88,509                            | 31,199                            |
| Other taxation and social security | 51,203                            | 39,554                            |
| Client Account (see note 9)        | 5,291,807                         | 4,933,534                         |
| Accruals and deferred income       | 252,086                           | 70,775                            |
|                                    | <b>7,693,028</b>                  | <b>6,370,076</b>                  |

The amounts owed to group undertakings are unsecured, have no fixed date of repayment and are not considered impaired. The balance is not interest bearing and is not expected to be repaid within one year.

# LMS Direct Conveyancing Limited

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 11 Financial commitments

At 31 December 2016, the company has a commitment in relation to off-site IT infrastructure that expires on 14 July 2017. The maximum exposure of this commitment totals £42,192 (2015:£120,085) over the period.

With regards to the operating lease referred to in Note 3, this relates to building rent charged to LMS Direct Conveyancing by Legal Marketing Services Limited. The financial commitment for the building lease is fully attributable to Legal Marketing Services Limited because Legal Marketing Services Limited is the named tenant as per the signed lease.

### 12 Deferred taxation

|                                    | 2016<br>£     | 2015<br>£     |
|------------------------------------|---------------|---------------|
| At 1 January                       | 14,738        | 18,919        |
| Charged to profit and loss account | 3,742         | (4,181)       |
| <b>At 31 December</b>              | <b>18,480</b> | <b>14,738</b> |

The deferred taxation asset comprises

|                                | 2016<br>£ | 2015<br>£ |
|--------------------------------|-----------|-----------|
| Accelerated capital allowances | 18,480    | 14,738    |

The deferred tax asset is expected to be fully utilised in more than one year.

### 13 Called up share capital

Allotted, called up and fully paid:

|  | 31 December<br>2016<br>£ | 31 December<br>2015<br>£ |
|--|--------------------------|--------------------------|
| 1,000 (2015: 1,000) ordinary shares of £0.001 each | 1                        | 1                        |

Under the articles of association of the Company each ordinary share has the right to one vote and to participate equally in the distribution of dividends and in the distribution of capital, including on a winding up.

# **LMS Direct Conveyancing Limited**

## **Notes to the Financial Statements for the year ended 31 December 2016 (continued)**

### **14 Profit and loss account**

|                             | £                |
|-----------------------------|------------------|
| At 1 January 2016           | (500,107)        |
| Loss for the financial year | (439,151)        |
| <b>At 31 December 2016</b>  | <b>(939,258)</b> |

### **15 Reconciliation of movements in shareholders' deficit**

|   | 2016<br>£        | 2015<br>£        |
|---|------------------|------------------|
| Loss for the financial year             | (439,151)        | (640,433)        |
| Net decrease in shareholders' deficit   | (439,151)        | (640,433)        |
| Opening shareholders' (deficit) / funds | (500,106)        | 140,327          |
| <b>Closing shareholders' deficit</b>    | <b>(939,257)</b> | <b>(500,106)</b> |

# LMS Direct Conveyancing Limited

## Notes to the Financial Statements for the year ended 31 December 2016

(continued)

### 16 Ultimate parent company and controlling party

The immediate parent undertaking of the company is Cybele Solutions Limited. Cybele Solutions Holdings Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements. The ultimate parent company of LMS Direct Conveyancing Limited is Cybele Solutions Holdings Limited and the results of LMS Direct Conveyancing Limited are consolidated in the financial statements of that company. Copies of Cybele Solutions Holdings Limited consolidated financial statements can be obtained from the Company Secretary at Bickerton House, Lloyd Drive, Cheshire Oaks Business Park, Cheshire CH65 9HQ.

The ownership structure of Cybele Solutions Holdings Limited is: LSL Property Services and Connells Limited each own one half of the A and C shares. In addition, LSL Property Services and Connells Limited each own 49.96% of the B shares. Each of LSL Property Services and Connells Limited therefore has rights to 49.99% of the dividends and proceeds on a winding up or return of capital, and each has 49.98% of the voting rights. LSL Property Services and Connells Limited operate as separate organisations. For these reasons, the Company has no ultimate controlling party.

### 17 Related Party Transactions

LSL Group and Connells Group are related parties by virtue of their shareholdings as set out in Note 16.

The following transactions were undertaken during the year:-

|  | 2016    | 2015    |
|--|---------|---------|
|  | £       | £       |
| <b>Connells Group</b>                        |         |         |
| Goods and services purchased from            | 843,595 | 770,288 |
| Aggregate trade creditor balance at year end | -       | 51,406  |
| <b>LSL Group</b>                             |         |         |
| Goods and services purchased from            | 23,450  | 42,020  |
| Aggregate trade creditor balance at year end | 6,894   | -       |

#### Key management compensation

Key management includes members of senior management excluding directors. The compensation paid or payable to key management for employee services is shown below:

|  | 2016 | 2015 |
|--|------|------|
|  | £    | £    |
| Salaries and other short-term benefits | -    | -    |
| Post-employment benefits               | -    | -    |
| Share based payments                   | -    | -    |