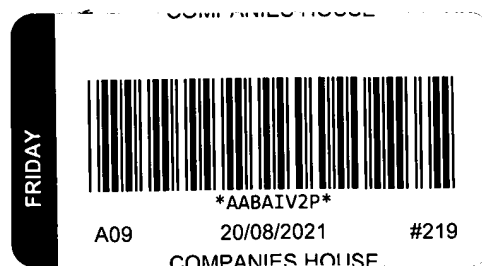


Registered Number 03002073

Legal Marketing Services Limited  
Annual Report and Financial Statements  
for the year ended 31 December 2020



Legal Marketing Services Limited  
Annual Report and Financial Statements for the year ended  
31 December 2020

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# **Legal Marketing Services Limited**

## **Directors and Advisers for the year ended 31 December 2020**

### **Directors**

Nick Chadbourne  
Chris Williams

### **Company Secretary**

Chris Williams

### **Registered Office**

Bickerton House  
Lloyd Drive  
Ellesmere Port  
CH65 9HQ

### **Registered Number**

03002073

### **Independent Auditors**

BDO LLP  
3 Hardman Street  
Spinningfields  
Manchester  
M3 3AT

### **Solicitors**

The Legal Director  
107 Cheapside  
London  
EC2V 6DN

### **Bankers**

Barclays Bank plc  
51 Mosley Street  
Manchester  
M2 3HQ

# Legal Marketing Services Limited

## Strategic Report for the year ended 31 December 2020

The Directors present their Strategic Report on the Company for the year ended 31 December 2020.

### Principal activities

Legal Marketing Services Limited provides panel management of conveyancing services, comprising remortgage, purchase and sale transactions. Instructions are received from UK mortgage lenders, mortgage brokers and estate agents. The Company carries out part of the administrative section of the transaction, following which the transaction is distributed to a 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. Legal Marketing Services Limited also provides general management of lender conveyancing panels, and associated services such as digital document distribution and verification, between lenders and law firms.

In addition, Legal Marketing Services Limited provides property search information and electronic identification services on certain of its transactions, as well as a range of ancillary services including IT services and placing legal indemnity insurance.

### Review of the Business

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. In the year ended 31 December 2020, the Company reported a profit for the financial year of £1.5m (2019: £1.3m).

Revenue for the year to 31 December 2020 was £19.9m, 9% lower than the previous year. This reflects the impact of the Covid-19 pandemic on the UK property market, where purchase volumes temporarily fell in April and May and a significant drop-off in remortgage volumes was experienced in the second half of the year, driven in part by lenders focusing on the purchase market. 2020 saw a small number of new customer wins across the Panel Link revenue stream. Gross profit decreased by 5% to £7.9m, reflecting the lower revenue and a continued attention to cost reduction. Profit before taxation for the year was £1.7m for the year to 31 December 2020, compared to £1.6m for the year to 31 December 2019.

The Group's financial position is £8.0m of net assets at the balance sheet date which is consistent with the prior year.

### Non-financial risks

Legal Marketing Services Limited is dependent for the majority of its work on remortgage and conveyancing contracts with UK mortgage lenders. Although contracts are reviewed by lenders every few years, all the Company's major relationships extend back over a number of years. The Company must therefore continue to provide high levels of service to lenders and borrowers, so that its position as a supplier to UK mortgage lenders is not jeopardised.

### Financial risk management

The Company's operations expose it to general credit risk. The Company has implemented policies that require, where appropriate, credit checks on potential customers before sales are made. The majority of the Company's business is with UK mortgage lenders, which are regarded as representing limited credit risk.

The Chief Financial Officer of the Company has the responsibility for assessing the levels of such risks and seeks to limit the adverse effects on the financial performance of the Company by monitoring the Company's exposure.

# Legal Marketing Services Limited

## Strategic Report for the year ended 31 December 2020 (Continued)

### Future developments

Legal Marketing Services Limited will aim to expand the activities it carries out in the provision of property related services. The business has been very successful over recent years in winning contracts for Panel Link and renewing its remortgage fulfilment work. This will continue to be a major focus of activity and investment during 2021. The scope of services offered under Panel Link will continue to expand. In addition, lenders continue to focus on their digital strategies, and the Company is investing to support these initiatives.

Performance in the first half of 2021 has been in line with Management's forecast. Whilst remortgage volumes remained subdued, the purchase market has outperformed. The Directors expect the remortgage market to pick up in the second half of the year.

On the 25th May 2021, LSL Property Services sold its entire holding in Cybele Solutions Holdings Limited, the ultimate parent Company of Legal Marketing Services Limited, to Project Ophelia Bidco Limited. The shares and rights remain as they were.

### Key Performance Indicators

The Directors measure the performance of the business using several key performance indicators (KPI's). The most significant ones are as follows:

- revenue
- profitability
- number of instructions
- number of completions
- average gross profit by business stream by introducer
- average timescales from instruction to completion
- proportion of cancellations relative to instructions
- month on month movement in instructions by introducer type
- number of justified complaints relative to instruction levels

Most of the Company's 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. The performance on instructions to completions on remortgage is good, and remains within the contractual terms agreed with introducers. Justified complaint levels relative to instruction levels remain within contractually agreed service standards.

By order of the Board



Chris Williams  
Company Secretary  
6<sup>th</sup> August 2021

# Legal Marketing Services Limited

## Directors' Report for the year ended 31 December 2020

The Directors presents their report and the audited financial statements of the Company for the year to 31 December 2020.

### Future developments

An indication of the likely future developments of the business is included in the Strategic Report on page 3.

### Dividends

The Company did not pay a dividend to its parent Company, Cybele Solutions Limited in 2020 (2019: nil). LMS Direct Conveyancing Limited, a fellow subsidiary of Cybele Solutions Limited, ceased trading in October 2020 with an intercompany balance owed to the Company. This was foregone by way of a capital distribution to LMS Direct Conveyancing Limited totalling £1.5m from the Company's reserves.

### Going concern

The Board has considered the impact of the ongoing COVID-19 pandemic. The Company has continued all operations throughout the last 18 months. To date, the Company has not experienced any significant disruption as a result of employee absence or panel firm performance and none is foreseen at present. The Company was able to shift all employees to working from home in March 2020 with the majority of employees continuing to do so.

Remortgage volumes were strong in the first half of 2020 but declined in the second half as lenders focused on the transactional market. 2021 volumes have started to increase over the first half as lenders have brought more competitive products to the market. Transactional volumes suffered from the housing market hiatus in spring 2020 but volumes have risen significantly since. 2021 volumes have performed in line with the continued buoyancy seen in the wider housing market. The Company remained profitable and generated cash throughout the COVID-19 affected period.

The Company holds no debt and has a net asset position of £8.0m at 31<sup>st</sup> December 2020 (2019: same).

The Directors have prepared forecasts covering a period through to December 2023. These forecasts reflect an assessment of current and future market conditions and their impact on the Company's financial performance and position. A number of stress tests have been performed to assess the Company's ability to continue as a going concern with a focus on profitability and cash generation, noting that any reduction in volumes could be partially mitigated by cost savings. The Group can continue to operate within its available funds based on reasonably worst case scenarios.

Having considered all of the above, the Directors remain confident that the Company will continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

### Financial risk management

Financial risk management is described in the Strategic Report on page 2.

### Directors

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

Nick Chadbourne  
Chris Williams

### 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.

# Legal Marketing Services Limited

## Directors' Report for the year ended 31 December 2020 (continued)

### 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.

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.

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.

### 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 he 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.

# **Legal Marketing Services Limited**

## **Directors' Report for the year ended 31 December 2020 (continued)**

### **Independent auditors**

The auditors, BDO 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**



Chris Williams  
Company Secretary  
6<sup>th</sup> August 2021

# Legal Marketing Services Limited

## Independent Auditors' Report to the members of Legal Marketing Services Limited

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit 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.

We have audited the financial statements of Legal Marketing Services Limited ("the Company") for the year ended 31 December 2020 which comprise the Income Statement, Statement of Financial Position and Statement of Changes in Equity and notes to the financial statements, 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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

### Independence

We remain 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.

### Conclusions relating to going concern

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

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

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

# **Legal Marketing Services Limited**

## **Independent Auditors' Report to the members of Legal Marketing Services Limited (continued)**

### **Other information**

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

We have nothing to report in this regard.

### **Other Companies Act 2006 reporting**

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 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 the Directors' report.

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

- adequate accounting records have not been kept, 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 Statement of Directors' Responsibilities, 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.

# Legal Marketing Services Limited

## Independent Auditors' Report to the members of Legal Marketing Services Limited (continued)

### Responsibilities of Directors (continued)

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.

### *Extent to which the audit was 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding and accumulated knowledge of the Group and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Company accounting policies, UK GAAP, and UK Companies Act 2006. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year-end cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to accrued income, provision for bad and doubtful debts and completeness of accruals;
- Revenue year end cut-off procedures;
- Identifying and testing journal entries, in particular any journal entries posted with specific keywords and manual journals to revenue and cash;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

# Legal Marketing Services Limited

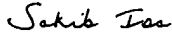
## Independent Auditors' Report to the members of Legal Marketing Services Limited (continued)

*Extent to which the audit was capable of detecting irregularities, including fraud (continued)*

A further description of our responsibilities is available 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:  
  
B2CAD66FFEEE486...

Sakib Isa (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Manchester

United Kingdom

9<sup>th</sup> August 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Legal Marketing Services Limited

## Income Statement for the year ended 31 December 2020

	Note	2020 £	2019 £
Revenue	2	19,867,449	21,972,222
Cost of sales		(11,926,169)	(13,646,010)
<b>Gross profit</b>		<b>7,941,280</b>	<b>8,326,212</b>
Administrative expenses before separately disclosed items		(6,517,020)	(6,708,600)
Separately disclosed items	4	(594,176)	-
Total Administrative expenses		(7,111,196)	(6,708,600)
<b>Operating profit</b>	3	<b>830,084</b>	<b>1,617,612</b>
Other income	5	858,735	-
Finance income	8	1,839	4,515
<b>Profit before taxation</b>		<b>1,690,658</b>	<b>1,622,127</b>
Tax on profit	9	(184,971)	(306,083)
<b>Profit for the financial year</b>		<b>1,505,687</b>	<b>1,316,044</b>

The notes on pages 14 to 29 form part of these financial statements.

All of the results presented above relate to continuing operations. There was no other comprehensive income for 2020 and 2019.

# Legal Marketing Services Limited

## Statement of Financial Position as at 31 December 2020

	Note	2020 £	2020 £	2019 £	2019 £
<b>Fixed assets</b>					
Intangible assets	10		3,995,769		3,455,076
Property, plant and equipment	11		167,469		365,215
			<b>4,163,238</b>		<b>3,820,291</b>
<b>Current assets</b>					
Debtors	12	7,222,774		9,297,511	
Cash at bank and in hand		3,951,855		2,064,090	
		<b>11,174,629</b>		<b>11,361,601</b>	
Creditors: amounts falling due within one year	13	(7,344,076)		(7,210,958)	
<b>Net current assets</b>			<b>3,830,553</b>		<b>4,150,643</b>
<b>Total assets less current liabilities</b>			<b>7,993,791</b>		<b>7,970,934</b>
<b>Net assets</b>			<b>7,993,791</b>		<b>7,970,934</b>
<b>Capital and reserves</b>					
Called up share capital	16		180		180
Profit and loss account			7,993,611		7,970,754
<b>Total shareholders' funds</b>			<b>7,993,791</b>		<b>7,970,934</b>

The financial statements on pages 11 to 29 were approved by the board of Directors on 6<sup>th</sup> August 2021 and were signed on its behalf by:



Chris Williams  
Director  
03002073

## Legal Marketing Services Limited

### Statement of Changes in Equity for the year ended 31 December 2020

	Called up share capital	Profit and Loss Account	Total Shareholders' funds
	£	£	£
At 1 January 2019	180	6,654,710	6,654,890
Profit for the financial year	-	1,316,044	1,316,044
<b>At 31 December 2019</b>	<b>180</b>	<b>7,970,754</b>	<b>7,970,934</b>
At 1 January 2020	180	7,970,754	7,970,934
Profit for the financial year	-	1,505,687	1,505,687
<b>Contributions by and distributions with owners</b>			
Distribution	-	(1,482,830)	(1,482,830)
<b>At 31 December 2020</b>	<b>180</b>	<b>7,993,611</b>	<b>7,993,791</b>

During the year, a distribution of £1,482,830 was made to LMS Direct Conveyancing Limited, another subsidiary of the parent company Cybele Solutions Limited. Due to LMS Direct Conveyancing Limited ceasing to trade during the year, the distribution was made as a waiver of the debt owed by LMS Direct Conveyancing Limited to Legal Marketing Services Limited at 31<sup>st</sup> December 2020.

# Legal Marketing Services Limited

## Notes to the Financial Statements for the year ended 31 December 2020

### 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 Legal Marketing Services 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 historical cost and in accordance with applicable accounting standards and the companies act 2006 and applicable Accounting Standards in the United Kingdom.

#### 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:

- from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- 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;
- 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) and
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7

#### Going concern

The Board has considered the impact of the ongoing COVID-19 pandemic. The Company has continued all operations throughout the last 18 months. To date, the Company has not experienced any significant disruption as a result of employee absence or panel firm performance and none is foreseen at present. The Company was able to shift all employees to working from home in March 2020 with the majority of employees continuing to do so.

# Legal Marketing Services Limited

## Notes to the Financial Statements for the year ended 31 December 2020 (continued)

### Going concern (continued)

Remortgage volumes were strong in the first half of 2020 but declined in the second half as lenders focused on the transactional market. 2021 volumes have started to increase over the first half as lenders have brought more competitive products to the market. Transactional volumes suffered from the housing market hiatus in spring 2020 but volumes have risen significantly since. 2021 volumes have performed in line with the continued buoyancy seen in the wider housing market. The Company remained profitable and generated cash throughout the COVID-19 affected period.

The Company holds no debt and has a net asset position of £8.0m at 31<sup>st</sup> December 2020 (2019: same).

The Directors have prepared forecasts covering a period through to December 2023. These forecasts reflect an assessment of current and future market conditions and their impact on the Company's financial performance and position. A number of stress tests have been performed to assess the Company's ability to continue as a going concern with a focus on profitability and cash generation, noting that any reduction in volumes could be partially mitigated by cost savings. The Group can continue to operate within its available funds based on reasonably worst case scenarios.

Having considered all of the above, the Directors remain confident that the Company will continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

### 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.
- The Directors make judgments about the effective economic life of capitalised development costs. This is based on the future economic benefits that are expected to derive from the software development.

# Legal Marketing Services Limited

## Notes to the Financial Statements for the year ended 31 December 2020 (continued)

### Critical accounting judgements and estimation uncertainty (continued)

- The Directors make judgements about meeting criteria for capitalisation of development costs. Directors' judgement is involved in determining the appropriate internal costs directly attributable to development to capitalise.
- During the course of the year, the Company incurred expenditure that was material and considered worthy of being separately disclosed, because of the nature and expected infrequency of the events giving rise to them. Directors make a judgement about which costs merit separate presentation to allow shareholders to understand better the underlying financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.
- As part of the Research and Development Expenditure Credit (RDEC) calculation, the Directors make judgements on the relevant proportions to be applied to certain incurred expenses, including the eligible staff costs based on the time proportion of each role being spent on Research and Development.

### Revenue

Revenue represents the amounts derived from the provision of 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 Legal Marketing Services Limited from a lender, after deduction of VAT. For transactional work, revenue represents the total fee charged by Legal Marketing Services Limited to third parties who carry out legal work, after deduction of VAT.

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. The Company has therefore taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the Group. The consolidated financial statements of Cybele Solutions Holdings Limited Group, within which the results of this company are included, can be obtained from the address given as the registered office.

### 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

# Legal Marketing Services Limited

## Notes to the Financial Statements for the year ended 31 December 2020 (continued)

### Intangible Assets

Intangible assets relate to internal costs that are directly attributable to the development of software utilised within the business. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amounts of the assets to their residual value over their estimated useful lives, as follows:

Software development	5 years
----------------------	---------

Amortisation is included in administrative expenses in the profit and loss account.

Cost associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during the development can be reliably measured.

Other development expenditure that do not meet the criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### 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.

# Legal Marketing Services Limited

## Notes to the Financial Statements for the year ended 31 December 2020 (continued)

### Taxation (continued)

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.

### Research and Development Expenditure Credit (RDEC)

It was identified in 2019 that the Group was eligible to utilise the RDEC scheme. The income associated with RDEC is recognised as other income in the income statement. In the current year the 2017, 2018 and 2019 credits have all been recognised given greater certainty over their recoverability.

### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

### Financial instruments

The group has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

#### a) Financial assets

Basic financial assets, including trade receivables and cash, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement. If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in income statement.

# Legal Marketing Services Limited

## Notes to the Financial Statements for the year ended 31 December 2020 (continued)

### Financial instruments (continued)

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the income statement, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### b) Financial liabilities

Basic financial liabilities, including trade payables and short term loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The group does not hold or issue derivative financial instruments.

#### c) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### Separately disclosed items

Items that are material in size or unusual or infrequent in nature are included within operating profit and reported as separately disclosed items in the income statement.

The separate reporting of these items, which are presented within the relevant category in the income statement, helps provide an indication of the Company's underlying business performance.

### Government Grants

#### *Coronavirus Job Retention Scheme (CJRS)*

The Company utilised the Coronavirus Job Retention Scheme (CJRS) which was introduced by the government in response to COVID-19. Legal Marketing Services Limited furloughed staff between the months of April to

# Legal Marketing Services Limited

## Notes to the Financial Statements for the year ended 31 December 2020 (continued)

### Government Grants (continued)

December 2020 inclusively and CJRS claims were made and payments received during this period. No staff have been furloughed after December 2020. The accrual model has been adopted and the cash payments received from HMRC in relation to CJRS have been recognised as other income in the income statement.

## 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 profit

Operating profit is stated after charging/(crediting):

	Year ended 2020 £	Year ended 2019 £
Depreciation of property plant and equipment:		
- owned assets	204,940	230,086
Amortisation of intangibles		
- software development	995,477	507,722
Profit on disposal of fixed assets	-	(3,250)
Auditors' remuneration:		
- as auditors	26,250	41,000
- for non-audit services	18,750	5,950
Operating lease charges		
- land and buildings	138,343	138,064
- equipment rental	1,375	1,813

# Legal Marketing Services Limited

## Notes to the Financial Statements for the year ended 31 December 2020 (continued)

### 4 Separately disclosed items

	Year ended 2020 £	Year ended 2019 £
Holiday pay provision	104,908	-
Onerous lease provision	288,538	-
Restructure provision	135,589	-
Management legal fees	19,007	-
RDEC professional fees	46,134	-
	594,176	-

A summary of the separately disclosed items for the current year is as follows.

#### **Holiday pay provision**

As standard, employees have to utilise their full entitlement of annual leave each year. Due to COVID-19, the Company allowed employees to carry forward a maximum of 15 days unused holiday into 2021, to be utilised and not paid for. The cost of the annual leave carried forward at 31<sup>st</sup> December for each employee has been calculated accordingly to their relevant salaried rate.

#### **Onerous lease provision**

Following the closure of one of the Company parent's subsidiaries, LMS Direct Conveyancing Ltd, the Company provided for the expenses that were previously incurred by LMS Direct Conveyancing Ltd but are financial commitments of the Company due to leasing arrangements. This includes Company lease commitments for office rental and equipment.

#### **Restructure provision**

Redundancy costs of £135,589 were incurred as an employee restructure led to a reduction in headcount.

#### **Management legal fees**

Professional fees relating to management incentive scheme were incurred in the current year. This is considered non-recurring.

#### **RDEC professional fees**

The Company incurred professional fees for the preparation and submission of the Research and Development Expenditure Credit (RDEC). The current year saw the first submission of this claim and includes claims for the 3 years ending 31<sup>st</sup> December 2017, 2018 and 2019. Due to the submission and associated costs being for the 3 year period, the costs have been separately disclosed accordingly.

## Legal Marketing Services Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 5 Other income

	Year ended 2020 £	Year ended 2019 £
Research and Development Tax Relief Claim – FY17, FY18, FY19	528,000	-
HMRC Coronavirus Job Retention Scheme	330,735	-
	858,735	-

#### 6 Particulars of employees

The average monthly number of persons (including Directors) employed by the Company during the financial year was:

By activity	Year ended 2020 Number	Year ended 2019 Number
Number of administrative staff	115	126

	£	£
Wages and salaries	3,405,641	3,750,198
Social security costs	289,358	333,742
Other pension costs	81,871	59,815
<b>Total staff costs</b>	<b>3,776,870</b>	<b>4,143,755</b>

#### 7 Directors' emoluments

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

	Year ended 2020 £	Year ended 2019 £
Aggregate emoluments	550,058	410,821

# Legal Marketing Services Limited

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 7 Directors' emoluments (continued)

The emoluments of the highest paid Director were £275,953 (2019: £222,131). The pension contributions of the highest paid Director were £1,388 (2019: £1,388).

### 8 Finance income

	Year ended 2020	Year ended 2019
	£	£
Interest receivable on bank deposits	1,839	4,515

### 9 Tax on profit

	Year ended 2020	Year ended 2019
	£	£
<b>Current Tax</b>		
Corporation tax based on the results for the year at 19.00% (2019: 19.00%)	168,490	187,578
Adjustments in respect of prior years	(44,768)	9,830
<b>Total current tax</b>	<b>123,722</b>	<b>197,408</b>
Deferred tax:		
Origination and reversal of timing differences	54,200	(2,449)
Adjustment in respect of prior periods	359	111,124
Effect of tax rate change on opening balance	6,689	-
<b>Total deferred tax</b>	<b>61,248</b>	<b>108,675</b>
<b>Tax on profit</b>	<b>184,971</b>	<b>306,083</b>

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK 19.00% (2019: 19.00%). The differences are explained below:

# Legal Marketing Services Limited

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 9 Tax on profit (continued)

	Year ended 2020 £	Year ended 2019 £
<b>Profit before taxation</b>	<b>1,690,658</b>	<b>1,622,127</b>
Profit before taxation multiplied by the standard rate of 19.00% (2019: 19.00%)	<b>321,225</b>	<b>308,204</b>
Effects of:		
Expenses not deductible for tax purposes	<b>687</b>	<b>8,637</b>
Adjustments in respect of prior periods – deferred tax	<b>359</b>	<b>111,124</b>
Group relief claimed	<b>(134,155)</b>	<b>(150,431)</b>
Transfer pricing adjustments	<b>-</b>	<b>18,430</b>
Adjustments in respect of prior periods	<b>(44,768)</b>	<b>9,830</b>
Deferred tax not recognised	<b>121,016</b>	<b>289</b>
R&D expenditure credits	<b>(100,320)</b>	<b>-</b>
Remeasurement of deferred tax for changes in tax rates	<b>20,926</b>	<b>-</b>
<b>Total tax charge for the year</b>	<b>184,971</b>	<b>306,083</b>

The Government accounted in the Budget on 3 March 2021 that the UK rate of corporation tax would rise to 25% from 1 April 2023. As the increase had not been substantially enacted at the balance sheet date, the deferred tax balance in these financial statements are stated at 19%, the current rate of corporation tax. An additional deferred tax liability of £37,000 will be recognised in the year ending 31 December 2021 as the Finance Act 2021 has now been enacted.

## Legal Marketing Services Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 10 Intangible assets

	Development costs	Total
	£	£
<b>Cost or valuation</b>		
At 1 January 2020	4,434,909	4,434,909
Additions	1,536,170	1,536,170
<b>At 31 December 2020</b>	<b>5,971,079</b>	<b>5,971,079</b>
<b>Accumulated</b>		
At 1 January 2020	979,833	979,833
Charge for the year	995,477	995,477
<b>At 31 December 2020</b>	<b>1,975,310</b>	<b>1,975,310</b>
<b>Net book value</b>		
<b>At 31 December 2020</b>	<b>3,995,769</b>	<b>3,995,769</b>
At 31 December 2019	3,455,076	3,455,076

## Legal Marketing Services Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 11 Property, plant and equipment

	Equipment	Fixtures and fittings	Computers	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2020	459,289	704,247	2,000,813	3,164,349
Additions	1,714	100	5,380	7,194
Disposals	-	-	-	-
<b>At 31 December 2020</b>	<b>461,003</b>	<b>704,347</b>	<b>2,006,193</b>	<b>3,171,543</b>
<b>Accumulated depreciation</b>				
At 1 January 2020	407,569	615,738	1,775,827	2,799,134
Charge for the year	38,621	40,095	126,224	204,940
Disposals	-	-	-	-
<b>At 31 December 2020</b>	<b>446,190</b>	<b>655,833</b>	<b>1,902,051</b>	<b>3,004,074</b>
<b>Net book value</b>				
<b>At 31 December 2020</b>	<b>14,813</b>	<b>48,514</b>	<b>104,142</b>	<b>167,469</b>
At 31 December 2019	51,720	88,509	224,986	365,215

## Legal Marketing Services Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 12 Debtors: amounts falling due within one year

	2020	2019
	£	£
Trade receivables	451,750	276,268
Amounts owed by group undertakings	5,540,260	7,048,325
Other receivables	196,948	267
Prepayments and accrued income	1,033,816	1,972,651
	<b>7,222,774</b>	<b>9,297,511</b>

There are no write-offs of bad and doubtful debts in the year (2019 : £nil). Amounts owed by Group undertakings are unsecured, repayable on demand, interest free and are not considered impaired.

#### 13 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade payables	861,521	1,019,799
Corporation tax payable	168,490	187,578
Amounts owed to group undertakings	3,851,401	4,010,963
VAT payable	782,332	293,187
Other taxation and social security	149,185	131,316
Deferred tax liability (note 15)	117,748	56,500
Accruals and deferred income	1,413,399	1,511,615
<b>Total payables</b>	<b>7,344,076</b>	<b>7,210,958</b>

Amounts owed to Group undertakings are unsecured, repayable on demand and interest free.

# Legal Marketing Services Limited

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 14 Financial commitments

At 31 December 2020, the Company has commitments in relation to off-site IT infrastructure and security information solutions, which expire on dates ranging between 31 July 2021 and 14 May 2023. The maximum exposure of these commitments totals £460,233 over the period.

At 31 December, the Company had future minimum lease payments under non-cancellable operating leases expiring as follows:

	Land and buildings		Equipment rental	
	2020	2019	2020	2019
	£	£	£	£
within one year	190,425	190,425	488	1,321
one to two years	190,425	190,425	487	487
two to five years	47,606	238,031	325	813
more than five years	-	-	-	-
<b>Total</b>	<b>428,456</b>	<b>618,881</b>	<b>1,300</b>	<b>2,621</b>

### 15 Deferred taxation

	Deferred taxation
	£
At 1 January 2020	(56,500)
Charge to profit and loss account	(61,248)
<b>At 31 December 2020</b>	<b>(117,748)</b>

The deferred taxation liability comprises:

	2020	2019
	£	£
Accelerated capital allowances	(117,748)	(56,500)

## Legal Marketing Services Limited

### Notes to the financial statements for the year ended 31 December 2020 (Continued)

#### 16 Called up share capital and reserves

Allotted, called up and fully paid:	2020	2019
	£	£
180 (2019: 180) Ordinary shares of £1 each	180	180

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, a fellow subsidiary of Cybele Solutions Limited, ceased trading in October 2020 with an intercompany balance owed to the Company. This was foregone by way of a distribution to LMS Direct Conveyancing Limited totalling £1.5m from the Company's reserves.

#### 17 Post Balance Sheet Events

On the 25th May 2021, LSL Property Services PLC sold its entire holding in Cybele Solutions Holdings Limited, the ultimate parent Company of Legal Marketing Services Limited, to Project Ophelia Bidco Limited. The shares and rights remain as they were.

There were no material post balance sheet events.

#### 18 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 Legal Marketing Services Limited is Cybele Solutions Holdings Limited and the results of Legal Marketing Services 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.

LSL Property Services PLC and Connells Limited each own 49.6% of the share capital of Cybele Solutions Holdings Limited. Each of LSL Property Services PLC and Connells Limited therefore has rights to 50% of the dividends and each has 50% of the voting rights. LSL Property Services PLC and Connells Limited operate as separate organisations. For these reasons, the Company has no ultimate controlling party.

On the 25th May 2021, LSL Property Services sold its entire holding in Cybele Solutions Holdings Limited, the ultimate parent Company of Legal Marketing Services Limited, to Project Ophelia Bidco Limited. The shares and rights remain as they were.