Annual Report and Accounts 2021

LSL

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Contents

We are one of the largest providers of services to mortgage intermediaries and specialist mortgage and insurance advice to estate agency and new build customers, and valuation services to the UK's biggest mortgage lenders. We also operate a network of owned and franchised estate agency branches.

For further information about our Group, please visit our website: *lslps.co.uk*.

Forward looking statements

This Report may contain forward looking statements with respect to certain plans and current goals and expectations relating to the future financial condition, business performance and results of LSL. Further information about forward looking statements can be found in the *Shareholder Information* section on page 171.

2021 Highlights

A record year of profits, with strong performances in each of our core businesses

Group Underlying Operating Profit

£49.3m

(2020: £35.2m)
+40%

Profit Before Tax

£69.9m

(2020: £20.9m)
+234%

Net Cash/(Net Bank Debt)

£48.5m

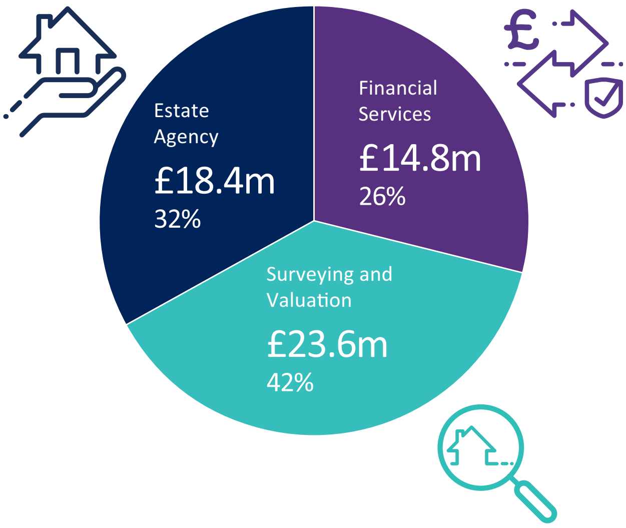
(2020: (£1.6m))
+£50.1m

Group Revenue

£326.8m

(2020: £266.7m)
+23%

Divisional Underlying Operating Profit
Before central costs



	2021	2020	Var
Group Revenue (£m)	326.8	266.7	23%
Group Underlying Operating Profit[1] (£m) (post-COVID-19 costs)	49.3	35.2	40%
Group Underlying Operating margin (post-COVID-19 costs)	15%	13%	+190bps
Exceptional Gains (£m)	31.1	0.7	nm
Exceptional Costs (£m)	(2.0)	(7.1)	71%
Group operating profit (£m)	72.6	23.9	205%
Profit before tax (£m)	69.9	20.9	234%
Basic Earnings per Share[2] (pence)	59.6	15.9	275%
Adjusted Basic Earnings per Share[2] (pence)	37.7	31.9	18%
Net Cash/(Net Bank Debt)[3] (£m)	48.5	(1.6)	nm
Final proposed dividend (pence)	7.4	nil	nm
Full year dividend (pence)	11.4	nil	nm

nm: not meaningful

Notes:

1 Group Underlying Operating Profit is before exceptional items, contingent consideration, amortisation of intangible assets and share-based payments (as set out in note 5 to the *Financial Statements*).

2 Refer to note 11 to the *Financial Statements* for the calculation.

3 Refer to note 33 to the *Financial Statements* for the calculation.

2022 Outlook

We expect 2022 financial performance to benefit from continued growth in Financial Services in a more challenging housing market, demonstrating reduced cyclicality of earnings.

- Latest market estimates suggest the mortgage market will be around 11% lower than 2021, and housing transactions in 2022 around 19% lower than 2021.
- Mortgage and housing market activity levels are expected to be at similar levels as 2019.
- The Group's strategic focus on Financial Services and the significant progress made in the Surveying & Valuation Division, has reduced our exposure to housing market volatility with the result that we expect a more limited impact on the Group's results in 2022 than would historically have been the case.
- Overall front end sales activity across the Group in the year to date is in line with internal expectations.
- The financial performance across Financial Services and Surveying & Valuation in the first two months of 2022 is in line with the Board's expectations.
- The Board is encouraged by front end sales activity in Estate Agency. However, residential pipeline conversion remains slow, impacted by continuing industry-wide capacity issues in conveyancing and this has delayed Estate Agency profits. The Group retained a strong residential pipeline at 28 February 2022, which had increased by 10% compared to 31 December 2021, with fall-throughs remaining at normal levels.
- In 2022 the Board expects mortgage and housing transactions to revert to pre-COVID-19 levels with geopolitical uncertainties adding to existing inflationary cost pressures. The Board has also considered the impact of a market-wide continuation of slower residential pipeline conversion. Nevertheless, at this early stage in the year, the Board's current expectation is that the Group will deliver a full year Group Underlying Operating Profit in line with its prior expectations, as the business is expected to continue to benefit from the execution of its Financial Services led growth strategy and strong performance of our Surveying & Valuation business.
- The split of H1:H2 profit in 2022 is expected to revert to a more typical profile with a skew to H2, after record housing transactions in H1 2021.
- The Financial Services Division remains on track to be the most profitable Division by 2023, with further organic growth in network financial advisers expected, supported by additional advisers from Pivotal Growth firms and to service distribution agreements.

About LSL and Our Markets

About LSL

We are one of the largest providers of services to mortgage intermediaries, specialist mortgage and insurance advice to estate agency and new build customers, and valuation services to the UK's biggest mortgage lenders. We also operate a network of owned and franchised estate agency branches.

We comprise three Divisions:

- Financial Services.
- Surveying & Valuation.
- Estate Agency.

Financial Services		Surveying & Valuation	Estate Agency
One of the UK's largest mortgage and insurance networks	A number of the UK's largest mortgage and insurance brokers	One of the UK's largest surveying and valuation businesses	Some of the UK's largest estate agency brands

Financial Services

One of the UK's largest mortgage and insurance networks
Together, the PRIMIS Network, with 971 firms and 2,858 financial advisers, and The Mortgage Alliance (TMA) comprise one of the UK's largest mortgage and insurance networks. PRIMIS is a multi-award winning network, winning *Best Network* in the 2021 *Money Marketing Awards and Residential Network of the Year* in the 2021 *OSB Group Key Intermediary Awards*.

A number of the UK's largest mortgage and insurance brokers
We own a number of leading direct-to-consumer (D2C) mortgage and insurance businesses. Embrace Financial Services and Linear Financial Solutions provide financial advice to estate agency customers, RSC New Homes and the Group First companies provide financial advice to customers purchasing new build houses and First2Protect is a specialist household insurance brand.

We are also a partner in Pivotal Growth, a joint venture with Pollen Street Capital, an independent alternative investment management company. Pivotal Growth invests in acquiring and growing profitable mortgage and insurance brokerages to help them build long term sustainable value.

Surveying & Valuation
e.surv is one of the UK's largest surveying and valuation businesses, together with Walker Fraser Steele Chartered Surveyors which services the Scottish market. It is one of the UK's biggest employers of *Royal Institution of Chartered Surveyors* (RICS) registered surveyors, with 489 (FTE) surveyors, and counts seven of the UK's ten largest lenders amongst its clients.

Estate Agency
We own two of the UK's largest estate agency brands, namely Your Move and Reeds Rains, and we also own a network of small brands including Marsh & Parsons. Together, we own 225 estate agency branches and we have 128 franchised branches.

We also have further specialist businesses in our Estate Agency Division. LSL Land & New Homes provides a complete range of services for house builders and investors. Homefast Property Services provides conveyancing panel management and support services and, together, LSL Corporate Client Department and Templeton LPA provide a range of asset management services.

Our Markets

Demand for our products and services are driven primarily by the UK mortgage market in the Financial Services and Surveying & Valuation Divisions and the UK housing market in the Estate Agency Division. There is some correlation between the UK housing and mortgage markets, although the remortgage, product transfer and insurance markets are significant parts of the mortgage market, which are often not correlated with the housing market.

Mortgage Market

Demand for mortgages and advice from financial advisers, for both purchase and remortgage, remained strong in 2021:

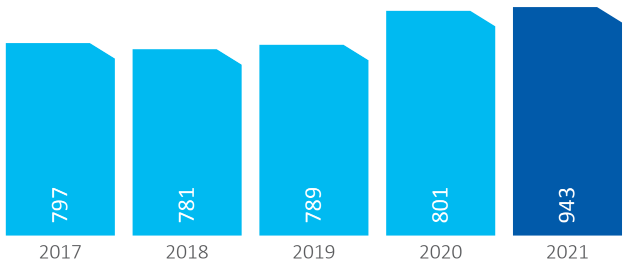
- Total gross mortgage lending[1] in 2021 was £313bn, 5% higher than the prior year (2020: £246bn).
- The proportion of mortgage lending placed through financial advisers[2] increased to 77% in 2021 (2020: 76%).
- Total mortgage approvals for house purchases[3] were up 13% to 1,571,000 in 2021, with demand aided by the Government scheme waiving Stamp Duty.
- Remortgage (and other)[3] activity was up 7% on 2020, with strong activity in the product transfer market, where consumers switch deals with their existing lender.

Housing Market

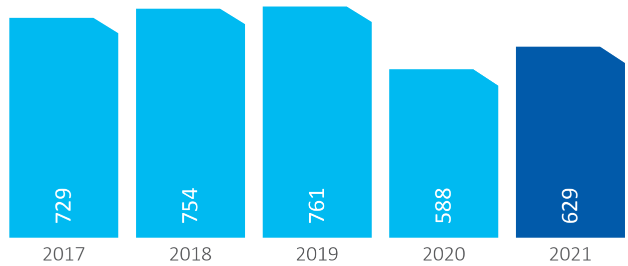
2021 was one of the strongest years on record for the UK residential property market, which was materially impacted by the Government scheme waiving Stamp Duty:

- UK housing transactions[4] were 1,480,000, up 41% year-on-year (2020: 1,047,000).
- Transactions were up 104% in H1 2021 and only 2% up year-on-year in H2 2021.
- At the end of 2021, average house prices in England and Wales[5] were 6% higher than the same period last year. The H1 activity reflected the built-up demand created by the lockdowns in 2020 and the announcement by the Government that the lower Stamp Duty threshold would be increased to £500,000 until June 2021 and then reduced to £250,000 until September 2021. Excluding London and the South East, the rest of England and Wales showed annual house price growth of 4.7%.

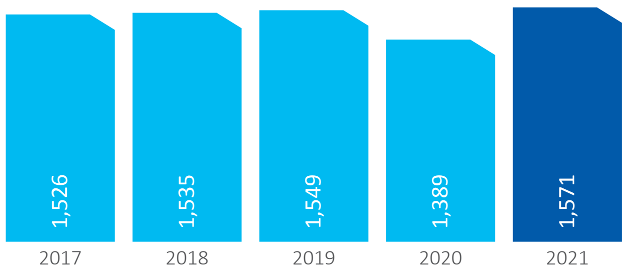
Total Mortgage Approvals for House Purchase
'000s



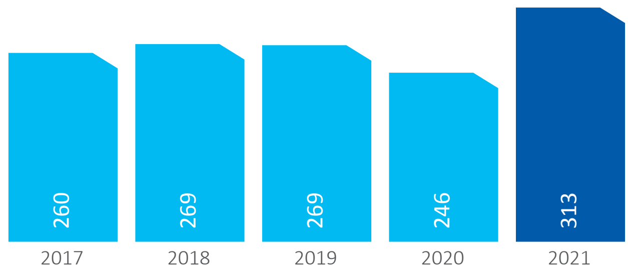
Remortgage (and other) Volumes
'000s



Total Mortgage Approvals
'000s

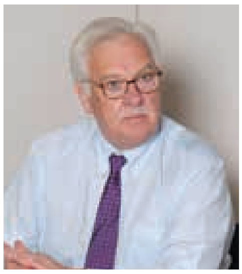


Total Gross Mortgage Lending
£bn



Sources:
[1] New mortgage lending by purpose of loan, UK *(Bank of England) – Table MM23.*
[2] New residential lending sold direct and via intermediaries, *UK Finance - Table RL8.*
[3] Approvals for lending secured on dwellings, *Bank of England – Table A5.4.*
[4] Number of residential property transaction completions with value £40,000 or above, *HMRC.*
[5] House price index, England and Wales, *LSL Acadata.*

Chair's Statement



It is a pleasure to report that our Group achieved record Group Underlying Operating Profit of £49.3m in 2021 and that at the end of the year, we had record Net Cash of £48.5m. In last year's *Annual Report and Accounts*, we set out that our Financial Services led strategy and our significant investments in 2021 will deliver benefits in the coming years. This included launching our joint venture with Pollen Street Capital, Pivotal Growth, which has already acquired two mortgage brokers. Overall, we achieved growth in profit and made strategic progress across our Financial Services, Surveying & Valuation and Estate Agency Divisions. In addition, we sold investments in two non-core businesses for a combined £41.3m in cash.

The above results were achieved in difficult circumstances, given the ongoing COVID-19 pandemic. In everything we did, we looked to keep our people and customers safe, and we thank colleagues across the Group for delivering these impressive numbers during these unusual times.

Governance

The Board remains committed to strong corporate governance and in particular making sure we monitor and challenge our strategy, performance, risk and approach to managing our people. You can read more about our governance arrangements in the *Corporate Governance Report* (page 45 of this Report).

Following changes to the directorate announced in April 2021, at which time I became Chair, we noted that we would look to recruit two new independent Non Executive Directors to the Board. James Mack, who is Chief Financial Officer at Barclays Bank UK plc, joined the Board as a Non Executive Director and Chair of the Audit & Risk Committee in September 2021. More recently, Sonya Ghobrial also joined us as a Non Executive Director. Sonya is Head of Investor Relations for GSK's Consumer Healthcare division. This ensures we have the requisite proportion of independent Directors required by the *UK Corporate Governance Code*. In June 2021, we appointed one of our existing Non Executive Directors, Gaby Appleton, as our Senior Independent Director (SID).

I also Chair the Nominations Committee, which met six times in the year. Our work in 2021 included considering succession planning for both Executive and Non Executive Directors, and the Board's diversity, which will continue to play an important part in any future recruitment.

Environmental, Social and Governance (ESG) Matters

The Board understands the growing interest in ESG issues from all our stakeholders. We have now developed our *Living Responsibly Strategy* and our ESG programme, and details can be found on page 27 of this Report and in our *Living Responsibly Report*[1]. The Board spent some time considering this strategy and the programme at both the start and end of the development process, and as part of our regular meetings.

Having established the Group's *purpose and values*, we have also taken the first steps in defining an enduring *culture*. This is never a quick fix, and we are approaching it as a top-down process, in which we lead by example. I set out the essential elements of our culture at our first ever Senior Management Conference during the year. In short, *we want to have the right people, doing the right things, in the right way*. This means *accepting accountability for our actions, delivering customer expectations, being open, challenging ourselves and supporting others*.

Dividends

Having paused dividend payments during 2020 in response to the pandemic, we were pleased to reinstate the dividend in the second half of 2021, with an interim dividend of 4.0 pence per share. In line with our policy to pay out 30% of Group Underlying Operating Profit after finance and normalised tax charges, we are recommending a final dividend of 7.4 pence, to give a total for the year of 11.4 pence per share.

Looking forward

The Group has a healthy cash position and a proven management team, which will enable us to successfully implement our growth strategy centred on Financial Services.
The Board is confident that the strategic investments we have made this year will contribute to further progress in 2022 and beyond.

Bill Shannon
Chair
15 March 2022

[1] *The Living Responsibly Report* is available on our website *lslps.co.uk*.

Group Chief Executive’s Review

I am pleased to report that we achieved a record year of profits, with strong performances in each of our core businesses – Financial Services Network, Surveying & Valuation, and our owned and franchised estate agencies. We continue to benefit from our Financial Services led growth strategy and we expect the investments we made during 2021 to contribute to our performance in future years.

Record Group results

Group Revenue grew by 23% to £327m, contributing to Group Underlying Operating Profit of £49.3m, an increase of 40%. We ended the year with record Net Cash of £48.5m.

In Financial Services, Underlying Operating Profit of our Network business rose by 34%, supported by further growth in our network of financial advisers, which grew by 11% year-on-year to 2,858 advisers. Underlying Operating Profit for Financial Services as a whole increased by 20%, with further investment being made in technology and our Direct-to-Consumer (D2C) businesses. Surveying & Valuation improved its operational efficiency and income per job, contributing to a 46% rise in the Division’s Underlying Operating Profit.

Estate Agency increased its residential market share across its core catchment areas and its Underlying Operating Profit was 53% higher. Conversion of its pipeline slowed in the second half, following the record market levels experienced in the lead up to the Stamp Duty deadline, as well as industry-wide capacity issues in conveyancing. The Division had a strong pipeline going into 2022.

Strategic and operational developments to support growth

During the year, we invested significantly in growth opportunities in Financial Services, reflecting the substantial long term potential in this market. This included strengthening our digital capabilities through the acquisitions of Mortgage Gym and Direct Life Quote Holdings Limited and launching our Pivotal Growth joint venture with Pollen Street Capital. Pivotal Growth aims to ‘buy and build’ a leading national mortgage broker and it completed its first acquisition in December 2021, purchasing one of Scotland’s largest mortgage brokers.

A further acquisition was made in February 2022, purchasing a specialist new build mortgage and insurance brokerage. We are also investing in our D2C financial services model. In addition to capital investment, we expensed costs of c.£3m in the year as we progressed these initiatives, with further investment planned in 2022. Over the medium term, we are confident these actions will deliver substantial value for shareholders.

Our focus on our core businesses led us to dispose of two non-core holdings in 2021. These were LMS, which we sold in May, and TM Group, which completed in July. The combined consideration was £41.3m in cash. We estimate that the lost profit contribution from these businesses was approximately £1m in 2021.

We have continued to add strength and depth to the management team, with key hires including a Group Chief Operating Officer, to drive our IT strategy and transformation programme, a highly experienced leader for our Financial Services D2C operation and a new Chief Financial Officer for Financial Services.

Strategic priorities

Our two overarching strategic objectives are to:

1. Put Financial Services at the heart of our strategy, focussing on growth markets.
2. Reduce earnings exposure to housing market volatility by generating more resilient and reliable revenues.

In Financial Services, we aim to increase our number of financial advisers and increase revenue per adviser.

In Surveying & Valuation, we aim to gain market share in both the B2B and D2C markets, as well as develop new, data-enriched services for lenders.

In Estate Agency, we aim to grow profitable market share, optimise operating efficiency, and develop our franchising proposition.

Our *Living Responsibly* and ESG programmes will play a central role in the development and execution of our strategy and have been given a high priority by our Board.

Strong balance sheet

The combination of the disposals discussed above and our cash generation in the year resulted in a record Net Cash balance of £48.5m at the year end. Our balance sheet and strong cash generation enables further investment to deliver the Group’s ambitious growth strategy, including continued investment in capability and technology, expected investment in Pivotal Growth D2C brokerage acquisitions, and potential acquisition targets to build our Financial Services Network business. The Board will continue to actively review capital allocation regularly to ensure we maintain an efficient balance sheet.

Dividend

Our policy is to pay out 30% of Group Underlying Operating Profit after finance and normalised tax charges. Having declared an interim dividend of 4.0 pence per share, the Board has recommended a final dividend of 7.4 pence per share. This, if approved by shareholders, would give a total dividend for the year of 11.4 pence per share, in line with the policy.

The ex-dividend date is 28 April 2022 with a record date of 29 April 2022 and a payment date of 6 June 2022. Shareholders can elect to reinvest their cash dividend and purchase existing shares in LSL through a dividend reinvestment plan. The election date is 12 May 2022.

A responsible business

We are keenly aware that sustained success is about more than just profits. The Board is committed to ensuring that we are, first and foremost, a responsible business and one that has a positive impact on the communities in which we operate. In our *ESG Report* and in our *Living Responsibly Report*, you can read more about our focus on inclusion and diversity, limiting our environmental impact and our work in our communities. It is important that what we do has real substance and is reflected in everything we do, and to help achieve this we have set up independent colleague forums and working groups to drive us forward in each of these areas.

The last couple of years have been hugely challenging and we could not have achieved what we have without the help, hard work and commitment of our staff. I want to thank everyone in the Group on behalf of the Board. I also thank our shareholders for their continued support.

Outlook

Our strategy is on track and our core businesses are performing well. Following the COVID-19 led boom we expect housing and mortgage transactions in 2022 to be more in line with the levels we saw prior to the pandemic, with inflation and the pressure on household finances also having an impact. Geopolitical uncertainty adds further risk. These issues are expected to affect our Estate Agency Division in particular, and as always, we will be agile and respond to market conditions as necessary.

However, the benefits of both our growth strategy in Financial Services and the significant progress made in Surveying & Valuation, mean that we expect the housing market cycle to have a more limited impact on the Group's results. We look forward to reporting further growth in Financial Services, alongside continued investment in building our D2C businesses. We look forward to the future with confidence.

David Stewart
Group Chief Executive Officer
15 March 2022

Strategic Report

In this section

Purpose, Strategy, Culture, Values and Business Model

The Board has established our *purpose, culture, values* and *strategy*. Our *purpose* statement, *culture* and *values* are aligned to our *strategy*, provide an anchor point for risk management and articulate what joins our group of companies together.

Our Purpose

To provide first-class services to mortgage and insurance advisers, estate agents, lenders and their customers, to create long term benefits for external stakeholders and our people.

Our Strategy

Financial Services is at the heart of our strategy.

During 2022, we will continue to grow our Surveying & Valuation and Estate Agency Divisions and implement a new target operating model, including a specific focus on leveraging their capabilities to grow the Financial Services Division.

Our strategic objectives are to:

- Reduce exposure to housing market volatility.
- Generate more resilient and reliable revenues, plus a more flexible cost base.
- Focus on and invest in growth markets.
- Invest in acquisitions and partnerships, where it supports our strategy, plus digital, data and technology.
- Leverage cross-Group opportunities.
- Focus on our *Living Responsibly Strategy* and our ESG programme.
- Retain, develop and attract talented people.

Our Culture

We describe our desired culture as having:

The right people: who accept accountability for their actions.

Doing the right things: which deliver customer expectations.

In the right way: being open, challenging of themselves and supporting others.

Our Values

Our values, which underpin our *culture*, are:

- *People focused.*
- *Market leaders.*
- *Honesty.*
- *Delivering on promises.*
- *Teamwork.*
- *Innovation.*

Our Business Model

Through a number of key resources...	Talented and committed people	Leading technology	Group infrastructure	Group capital
...we provide a range of first class products and services...	Services to mortgage intermediaries	Mortgage and insurance advice	Valuation and surveys	Estate agency services
...to our customers...	Mortgage and insurance intermediaries	Retail customers	Lenders Retail customers	Retail customers
...for the benefit of all our stakeholders...	Shareholders	Colleagues	Customers	Suppliers

Key

- Group
- Financial Services
- Surveying & Valuation
- Estate Agency

Financial and Divisional Reviews

Financial Review

Group summary (P&L)

We achieved record Group profit, with growth in the core Financial Services Network business, strong execution in Surveying & Valuation and profitable market share gains in Estate Agency. The Group's financial result was in line with the Board's expectations.

We supported the future growth of our Financial Services businesses and expensed c.£3m in Financial Services technology and D2C. The technology investment is expected to begin to show tangible returns in the second half of 2022 as we roll it out through our Financial Services Network, making our proposition more attractive to potential recruits, increasing our efficiency, and generating additional income from subscription fees. We expect to see the major benefits to start coming through in 2023 and beyond. We also continued to invest in other parts of the Group, notably key Group hires and sustained marketing in Estate Agency to build the sales pipeline for 2022.

Group Revenue increased by 23% to £326.8m (2020: £266.7m), with year-on-year revenue up by 29% in the Financial Services Division, 21% in the Surveying & Valuation Division and 20% in the Estate Agency Division. H1 Group Revenue was up 45%, as we traded well in a favourable housing market, with record transaction levels ahead of the extended Stamp Duty holiday at the end of June 2021. The prior year comparatives for H1 were impacted by COVID-19. H2 Group Revenue was up 6%, reflecting the lower relative level of market activity as well as industry-wide capacity issues in conveyancing impacting pipeline conversion in Estate Agency and slower completion of purchase mortgages in Financial Services.

Group Underlying Operating Profit[1] of £49.3m was a record result, 15% more than the previous best in 2015, 40% more than 2020 (2020: £35.2m) and 36% more than 2019 (2019: £37.0m). Group Underlying Operating margin of 15.1% was up year-on-year by 190 bps. On a statutory basis, Group operating profit increased 204% to £72.6m (2020: £23.9m).

The split of H1:H2 profit in 2022 will revert to a more typical profile with a skew to H2, after record housing transactions in H1 2021.

Our profit turns into cash at a high rate, with adjusted cash-flow conversion[2] of 106%. The Group finished the year with a very strong balance sheet, reporting Net Cash of £48.5m (2020: Net Bank Debt £1.6m).

Total adjusted operating expenditure

Total adjusted operating expenses increased by 20% to £280.2m (2020: £232.9m). This increase was predominantly in employee costs, with higher commissions linked to the 23% year-on-year increase in revenue, while prior year employee costs included £15.7m of Government Coronavirus Job Retention Scheme (CJRS) support, reduced payments whilst colleagues were on furlough, the cancellation of all Executive Director bonuses, and other Senior Management Team bonuses which were limited to a maximum of 5%. Other discretionary costs also increased towards normalised levels in 2021 following lower expenditure in 2020 resulting from the impact of COVID-19, which included reduced marketing, office and travel expenditure and other reductions in discretionary costs.

Group Underlying Operating Profit

Group Underlying Operating Profit of £49.3m was 40% above 2020 (£35.2m). In 2020, COVID-19 costs[3] of £6.4m were recognised in Group Underlying Operating Profit. Stated before these COVID-19 costs, Group Underlying Operating Profit in 2020 was £41.5m. The Group has not benefited from any CJRS funds in 2021.

Other operating income, gain on sale of property, plant, and equipment

Other income, relating to rental income, was £0.9m (2020: £0.8m). A gain on sale of £1.1m (2020: £0.02m) was generated from the disposal of seven commercial properties in the Estate Agency Division, for total consideration of £1.7m.

Income from joint ventures and associates

Income from joint ventures and associates of £0.7m (2020: £0.5m) mainly comprised our share of LMS and TM Group profits prior to disposal, and our share of set up costs of Pivotal Growth.

Share-based payments

The share-based payment charge of £1.9m (2020: £0.02m) consists of a charge in the period of £2.6m, offset by lapses and adjustments for leavers and options exercised in the period. The low charge in 2020 was largely as a result of scheme lapses offsetting existing scheme charges.

Amortisation of intangible assets

The amortisation charge for 2021 was £4.5m (2020: £5.4m). The year-on-year decrease was as a result of some lettings books reaching full amortisation during 2020.

Exceptional items

The exceptional gain of £31.1m (2020: £0.7m) relates to a £29.5m gain on disposal of the Group's joint venture holdings in LMS (£3.2m gain) and TM Group (£26.3m gain) for total proceeds of £41.3m and a release in the PI Costs provision of £1.6m.

The exceptional cost of £2.0m (2020: £7.1m) relates to the formation of the joint venture Pivotal Growth (£1.2m), restructuring costs in Embrace Financial Services (£0.7m) and costs relating to the dissolution of the previously owned associate holding in Mortgage Gym Limited.

Contingent consideration

The credit to the income statement in 2021 of £0.7m (2020: credit £0.5m), relates mainly to the reassessment of the contingent consideration liability for RSC, due to be paid in 2023.

Net financial costs

Net financial costs amounted to £2.7m (2020: £3.0m) and related principally to unwinding of the IFRS 16 lease liability of £1.5m (H1 2020: £1.6m) and interest and fees on the revolving credit facility of £1.0m (2020: £1.2m).

Profit before tax

Profit before tax increased to £69.9m (2020: £20.9m). This increase was largely driven by the improvement in Group Underlying Operating Profit, the exceptional gains on the sale of the investments in the LMS and TM Group joint ventures and the reduction in exceptional costs.

Taxation

The tax charge of £8.0m (2020: £4.6m) represents an effective tax rate of 11.4%, lower than the headline UK tax rate of 19%, mainly due to profits on the sale of joint venture investments not being subject to corporation tax. Adjusting for the profits on the sale of joint venture investments, the effective tax rate was 18.8%. Deferred tax assets and liabilities are revalued to 25% (2020: 19%), the tax rate effective from 1 April 2023.

Basic and Adjusted Basic Earnings per Share[4]

The Basic Earnings per Share was 59.6 pence (2020: 15.9 pence). The Adjusted Basic Earnings per Share was 37.7 pence (2020: 31.9 pence), an increase of 18%.

Notes:

1 Group Underlying Operating Profit is before exceptional items, contingent consideration, amortisation of intangible assets and share-based payments (as set out in note 5 to the *Financial Statements*).

2 Adjusted cash-flow conversion defined as cash generated from operations (pre-PI Costs and post-lease liabilities) divided by Group Underlying Operating Profit.

3 In 2020 costs relating to COVID-19 were separately identified relating to employee costs and property and related costs (as set out in note 5 to the *Financial Statements*).

4 Refer to note 11 to the *Financial Statements* for the calculation.

Financial and Divisional Reviews

Financial Services Division

Financial Summary	FY 2021	2020	Var
P&L (£m)			
Financial Services Network gross revenue	**295.9**	243.5	22%
Financial Services Network (net revenue)	**38.3**	31.3	23%
Financial Services Other	**40.2**	29.7	35%
Total revenue	**78.5**	61.0	29%
Mortgage net revenue	**33.7**	25.9	30%
Protection and general insurance net revenue	**35.2**	26.2	34%
Other net revenue	**9.6**	8.9	8%
Total revenue	**78.5**	61.0	29%
Financial Services Network	**14.4**	10.7	34%
Financial Services Other	**0.4**	1.6	(73)%
Underlying Operating Profit[1] (post-COVID-19 costs)	**14.8**	12.3	20%
Financial Services Network margin	**38%**	34%	+320bps
Financial Services Other margin	**1%**	5%	-420bps
Underlying Operating margin (post-COVID-19 costs)	**19%**	20%	-130bps
Underlying Operating Profit[1] (pre-COVID-19 costs)	**14.8**	13.5	10%

KPIs	2021	2020	Var
LSL mortgage completion lending[2] (£bn)	**41.1**	32.6	26%
Total advisers	**2,858**	2,585	11%
Gross revenue per ave adviser[3] (Financial Services Network) (£'000)	**92.5**	86.1	7%
Annualised premium equivalent (£m)	**70.3**	53.5	31%

Notes:

1 Underlying Operating Profit is stated on the same basis as Group Underlying Operating Profit (as set out in note 5 to the *Financial Statements*).

2 LSL mortgage completions lending quoted includes product transfers.

3 Gross revenue per adviser is calculated as Financial Services Network gross revenue (excluding the TMA mortgage club) per active adviser.

Summary

Financial Services Division revenue increased by 29%, with profit up by 20%. Profits in the core Financial Services Network business increased by 34%, with operating margins up 400bps to 38% (2020: 34%).

Total financial advisers at 31 December 2021 were up by a record 273 year-on-year to 2,858 and our share of the UK mortgage market grew to around 10%, further consolidating our position as the UK's largest mortgage and insurance network[1].

We continued to support the future growth of our Financial Services businesses, with significant investment during the year in technology, development of capability, headcount to support growth, the establishment of the Pivotal Growth joint venture and development of our D2C business. Whilst suppressing profits in the short term, the investment will start to show tangible returns in the second half of 2022, with more material benefits expected in 2023 and beyond.

Financial overview

Net revenue reported for the year was up 29% to £78.5m (2020: £61.0m). H1 revenue increased by 39%, benefiting from a strong purchase mortgage market and COVID-19 impacted comparatives. Revenue was up 20% in H2 reflecting stronger relative comparatives, with higher refinancing volumes and slower completion of purchase mortgages.

Underlying Operating Profit was up 20% to £14.8m (2020: £12.3m). In 2020, COVID-19 costs of £1.2m were recognised in the Financial Services Division. Stated before COVID-19 costs, Underlying Operating Profit in 2020 was £13.5m and Underlying Operating Profit growth in 2021 was 10%.

The Division's revenue mix by product highlights the significance of our insurance business and its success in arranging insurance products both on a standalone basis as well as when needed at the time of a mortgage being arranged. There is a broadly equal split between mortgage related and insurance related revenue. The split of revenue by product type in 2021 was 43% for mortgage fees (2021: £33.7m), 45% for insurance fees (2021: £35.2m) and 12% in other fees (2021: £9.6m).

For the first time, we are separately disclosing the profit of our core Financial Services Network business, which comprises the PRIMIS Network and the TMA mortgage club. This provides greater transparency and demonstrates the consistent growth and strong margins of this core part of the Financial Services Division. Financial Services Other comprises Pivotal Growth, our New Homes businesses, D2C and our technology businesses (Mortgage Gym and Direct Life and Pensions which were both acquired during 2021).

Financial Services Network business

Our gross mortgage completion lending increased by 26% to £41.1bn (2020: £32.6bn) representing an increased share of the lending market excluding product transfers[2] of 9.6% (2020: 9.0%).

Our accounting policy is to recognise Financial Services Network revenue as the net amount of commission retained by the network. To provide additional information, we now also disclose gross revenues. Gross revenues generated by the Financial Services Network (including the TMA mortgage club) increased by 22% to £295.9m (2020: £243.5m). Financial Services Network net revenue increased by 23% to £38.3m (2020: £31.3m).

Gross revenue per average adviser of £93k was a 7% increase (2020: £86k per adviser). In general, advisers joining the Financial Services Network take some time to reach maximum productivity, and as such make a relatively small contribution to turnover in the year of their joining. Revenue in 2022 will therefore benefit from a full year of the advisers who joined in 2021.

Underlying Operating Profit increased by 34% to £14.4m (2020: £10.7m) with the Underlying Operating margin rising to 38% (2020: 34%), notwithstanding significant investment in headcount made to support future growth. Profit was up 87% in H1 and 3% in H2, reflecting the more buoyant market in H1 compared to H2, the weaker COVID-19 impacted comparatives in H1 2020 and the strong bounce-back from lockdown in H2 2020.

Financial Services Other

Financial Services Other revenue increased by 35%, largely reflecting the acquisition of Direct Life and Pensions in Q1 2021 and growth in our D2C business, as a result of stronger housing transactions as well as the benefit of the change of commercials between the Financial Services Division and the Estate Agency Division, which was reported in the *2021 Interims*. Revenue in New Build was broadly flat. Financial Services Other Underlying Operating Profit reduced to £0.4m (2020: £1.6m), reflecting the investment for future growth, weaker execution in New Build, and D2C profit increasing in the more buoyant market, albeit with weaker conversion rates from our owned and franchised Estate Agency leads as we switched resources to focus on launching The Property Franchise Group deal.

Financial Services Other profit is stated after expensing c.£3m in Financial Services technology and D2C, including costs of the TPFG contract and the Pivotal Growth joint venture set up costs. As anticipated, the TPFG contract will continue to act as a drag on profitability in 2022 and is expected to generate a positive contribution by 2023. The Pivotal Growth joint venture was established in April 2021, with a net loss in 2021 of £0.9m representing set up costs and overheads. A positive contribution is expected in 2022, dependant on the profile of acquisition undertaken and the financing means used.

As well as significant investment in Mortgage Gym, we continued to invest in the Financial Services Network technology platform (Toolbox), to deliver benefits to firms and their advisers and create further efficiencies and improved functionality. Capital investment in the platform amounted to £0.5m in 2021 (2020: £0.5m).

Notes:

1 UK's largest mortgage and insurance network based on LSL estimates.

2 New mortgage lending by purpose of loan, *UK (Bank Of England) – Table MM23*.

Financial and Divisional Reviews

Surveying & Valuation Division

	FY		
Financial Summary	**2021**	2020	Var
P&L (£m)			
Total revenue	**93.7**	77.1	21%
Underlying Operating Profit[1] (post-COVID-19 costs)	**23.6**	16.2	46%
Underlying Operating margin (post-COVID-19 costs)	**25%**	21%	420bps
Underlying Operating Profit[1] (pre-COVID-19 costs)	**23.6**	17.9	32%
Underlying Operating margin (pre-COVID-19 costs)	**25%**	23%	200bps

KPIs			
Jobs performed (000's)	**541**	487	11%
Jobs per average surveyor	**1,079**	947	14%
Revenue from private surveys (£m)	**2.2**	1.1	96%
Income per job (£)	**173**	159	9%
Operational surveyors employed (FTE2)	**489**	513	(5)%

Notes:
[1] Underlying Operating Profit is stated on the same basis as Group Underlying Operating Profit (as set out in note 5 to the *Financial Statements*).
[2] Full Time Equivalent (FTE).

Summary

The Surveying & Valuation Division's Underlying Operating Profit increased by 46%, as we traded very well in favourable markets during H1 and benefited in H2 from increased key lender allocations. Surveyor capacity utilisation also improved in 2021, with 11% more jobs performed whilst employing fewer operational surveyors. Underlying Operating margin increased to 25% (2020: 21%), due to improved utilisation and higher income per job.

We estimate that we increased market share in 2021, while maintaining operational resilience and providing high quality service in a very busy market. We were named *Mortgage Surveyor of the Year* at the *2021 Mortgage Awards organised by Money Age*. During 2021, two key supplier contracts were renewed, increasing allocations, and we also achieved increases in allocations from some existing lender clients. Around three quarters of our total annual volume is currently secured for two or more years.

Financial overview

Revenue increased by 21% to a record £93.7m (2020: £77.1m). H1 revenue was up 48% compared to COVID-19 impacted H1 2020. H2 revenue was up 3%, which was a very strong performance given H2 total mortgage approvals for house purchases were down 22% compared to the same period in the prior year. At the *2021 Interims*, we identified the opportunity to commercialise valuable data gathered as part of the valuation process. Revenue for data services of £0.1m was generated for the first time during H2.

Underlying Operating Profit increased by 46% to £23.6m (2020: £16.2m), up 179% in H1 and up 1% in H2. In 2020, COVID-19 costs of £1.7m were recognised in the Surveying & Valuation Division. Stated before COVID-19 costs, Underlying Operating Profit in 2020 was £17.9m.

Income per job increased by 9% to £173 (2020: £159), reflecting an improved lender mix, house price inflation and a slightly lower proportion of remote valuations in 2021 of 18%, compared to the COVID-19 impacted period in 2020, during which remote valuations made up 24% of the total.

During 2021, 71% of the Division's revenues derived from its top five customers. This is broadly consistent with the concentration of mortgage lending in the UK, where it is estimated that the six largest lenders collectively account for around 70% of the market. The total number of jobs performed during the period was 541,000, which was 11% greater than 2020.

At 31 December 2021, the total provision for PI Costs was £3.9m (31 December 2020: £7.0m). The Group continued to make positive progress in addressing historic PI claims and there was a net £1.6m exceptional gain in the year. The number of new valuation claims provided for in the period remained very low.

The number of operational surveyors employed (FTE) at 31 December 2021 slightly reduced to 489 (31 December 2020: 513). Our graduate and trainee mentoring programmes continue to provide new productive surveyors, to alleviate any capacity constraints in the market.

Financial and Divisional Reviews

Estate Agency Division

	FY		
Financial Summary	**2021**	2020	Var
P&L (£m)			
Residential Sales exchange income	**71.7**	48.8	47%
Lettings income	**62.0**	58.6	6%
Other income	**20.8**	21.2	(2)%
Total revenue	**154.6**	128.7	20%
Underlying Operating Profit[1] (post-COVID-19 costs)	**18.4**	12.1	53%
Underlying Operating margin (post-COVID-19 costs)	**12%**	9%	250bps
Underlying Operating Profit[1] (pre-COVID-19 costs)	**18.4**	15.5	18%
Underlying Operating margin (pre-COVID-19 costs)	**12%**	12%	-20bps

KPIs			
Exchange units	**18,845**	12,921	46%
Managed properties	**24,372**	24,804	(2)%
Owned branches	**225**	225	–
Franchised branches	**128**	131	(2)%
Total Estate Agency branches	**353**	356	(1)%

Notes:

1 'Other income' includes franchise, conveyancing services, Asset Management, EPCs, Home Reports, utilities and other products and services to clients of the branch network.

2 Underlying Operating Profit is stated on the same basis as Group Underlying Operating Profit (as set out in note 5 to the *Financial Statements*).

Summary

Estate Agency Division Underlying Operating Profit increased by 53%, with Underlying Operating margin up to 12% (2020: 9%), benefiting from good trading in favourable residential markets in H1 and an increase during the year in our residential market share across the core catchment areas in which we compete.

The strong sales pipelines coming into 2021, favourable market conditions and very high exchange volumes in the lead up to the extended Stamp Duty holiday that ended in June, contributed to very strong Residential Sales exchange income in H1. Estate Agency residential pipeline conversion slowed in H2 2021, following the record market levels experienced in the lead up to the 30 June 2021 Stamp Duty deadline and capacity issues in the conveyancing market.

Financial overview

Total Estate Agency Division revenue increased by 20% to £154.6m (2020: £128.7m), increasing by 46% in H1 and 1% in H2, reflecting the residential market dynamics described above.

Estate Agency Underlying Operating Profit increased by 53% to £18.4m (2020: £12.1m). H1 2021 Underlying Operating Profit of £12.5m was very significantly higher than H1 2020 (H1 2020: £2.4m), benefiting from the strong opening pipelines and very strong Residential Sales performance. Profits in H2 were £5.9m (2020: £9.7m) largely reflecting reduced pipelines following the record June 2021 exchanges, a flat housing market in H2 compared to the prior year and the slowdown in exchanges in Q4 2021. In addition, lost profit contribution following the disposal of the non-core holdings in LMS and TM Group reduced comparative profit further in H2 by a total of c.£1m. Underlying Operating Profit also benefited from the improved franchise revenues of £2.7m in 2021 (2020: £1.7m).

In 2020, COVID-19 costs of £3.4m were recognised in the Estate Agency Division. Stated before COVID-19 costs, Underlying Operating Profit in 2020 was £15.5m.

Residential Sales

Residential Sales exchange income increased by 47% to £71.7m (2020: £48.8m). The number of exchange units increased by 46% on the prior year. This is ahead of the overall market trend on a national level, reflecting the increase in market share in the locations we trade in. Residential Sales exchange income was up by 117% in H1 and 4% in H2. The Residential Sales exchange pipeline at 31 December 2021 was 7% lower than the record pipeline reported at the same date in 2020.

Lettings

In the lettings market there was a very limited supply of new instructions and we therefore focused on reletting and retaining our managed property portfolio. The total number of managed properties at 31 December 2021 was 24,372, broadly in line with the same date in 2020. Total Lettings income increased by 6% to £62.0m (2020: £58.6m) largely reflecting an increase in Q2

2021 compared to the COVID-19 impacted prior year in the same period.

Other income

Other income was down 2% to £20.8m (2020: £21.2m) with strong residential markets benefiting conveyancing and other income (up 43%) and franchise income (up 64%). These increases were more than offset by falls in Estate Agency's share of Financial Services income, which was down 36% primarily reflecting the changed commercial arrangement with the Financial Services Division, as reported at the 2021 *Interims Results Statement*, and Asset Management (down 10%) due to lower market repossession volumes.

Financial and Divisional Reviews

Balance Sheet Review

Goodwill

The carrying value of goodwill is £160.9m (31 December 2020: £159.9m), with £1.0m added due to the acquisition of Direct Life and Pensions. No impairment is required from the Group's annual impairment testing.

Other intangible assets and property, plant and equipment

Total capital expenditure in the year amounted to £6.9m (2020: £4.1m). We continued to invest in technology and the capital expenditure in the year, including £2.2m (2020: £1.8m) for further development of the Toolbox platform in the Financial Services Division and investment by the Estate Agency Division in third party property software. The prior year also reflected cash conservation measures taken during the lockdown, which focused capital spend on essential projects.

Financial assets and investments in joint ventures and associates

Financial assets

Financial assets of £5.7m at 31 December 2021 (2020: £9.6m) comprise investments in equity instruments in unlisted companies. The largest investment is an 8.8% shareholding in Yopa Property Limited, a UK-based online hybrid estate agent. The carrying value of this investment has been assessed and a fair value impairment of £2.0m has been made through the *Statement of Other Comprehensive Income*. The carrying value of the Group's investment at 31 December 2021 is £4.5m (2020: £6.5m).

The decrease in the year also included settlement of secured loan notes, as consideration for the purchase of the trade and assets of Mortgage Gym Limited.

Joint ventures

The Group established the Pivotal Growth joint venture during the year and held a 47.8% interest at 31 December 2021. The joint venture is equity accounted and is held on the balance sheet at £1.6m at 31 December 2021, representing equity investment during the period less our share of costs for the period.

During 2021, we disposed of our entire holding in both non-core businesses LMS (May 2021) and TM Group (July 2021) for total proceeds of £41.3m. At 31 December 2020, these businesses had been held on the balance sheet at £11.4m.

As reported at the *2021 Interims*, as part of the LMS sale we agreed to provide an indemnity to a maximum of £2m in relation to claims of fraud by an LMS panel law firm. We are required to assess the fair value of the most probable outcome on this indemnity. There is uncertainty around how likely a claim can be made by the four banks with identified losses. We have assessed the available information on the claims and in line with the accounting standards, a provision for our share of these claims has been included of £0.6m, offsetting the gain on disposal of LMS.

Mortgage Gym

In February 2021, the Group acquired the trade and assets of Mortgage Gym Limited, a former associate of the Group, for £2.4m. The loan notes valued at £2.24m at 31 December 2020 were offset against the consideration for the purchase from the administrators, reducing the balance of these loan notes to nil. The exceptional write down of the £2.0m carrying value of the investment in Mortgage Gym Limited was recognised in the financial statements in the *Annual Report and Accounts 2020*.

Bank facilities/Net Bank Debt/Liquidity

On 24 February 2021, we announced a new banking facility, providing the Group with balance sheet flexibility to take advantage of growth opportunities, particularly in Financial Services. A £90m committed revolving credit facility, with a maturity date of May 2024, arranged on competitive terms, replaced the previous £100m facility that was due to mature in May 2022.

In arranging the banking facility, the Board took the opportunity to review the Group's borrowing requirements in light of our strong cash generation and the Group's aim of reducing its reliance on the housing market. We therefore reduced the size of the committed facility and the costs associated with it. To provide further flexibility to support growth, the facility includes a £30m accordion, to be requested by LSL at any time, subject to bank approval.

The facility is provided by Barclays Bank UK plc and Santander UK plc, two long-standing banking partners, alongside NatWest Bank plc, a new member of the banking syndicate. We have a strong and long-standing relationship with NatWest Bank plc, through our Financial Services and Surveying & Valuation Divisions.

At 31 December 2021, Net Cash was at a historic high of £48.5m (2020: Net Bank Debt: £1.6m).

The Group generated adjusted cash from operations of £37.7m (2020: £66.3m). After adjusting for payments made during 2021 for tax payment deferrals agreed with HMRC relating to 2020, the cash-flow conversion[1] rate in 2021 was 106% (2020: 122%). The reported cash-flow conversion rate before adjusting for tax deferral payments, was 76% (2020: 159%).

The net increase in cash and cash equivalents of £37.0m during 2021 (2020: £11.4m increase) included £41.3m proceeds from the sale of investments in LMS and TM Group, investments in Pivotal Growth (£2.5m) and Direct Life and Pensions (£1.8m), capital expenditure of £6.9m (2020: £4.1m) and payment of the reinstated 2021 interim dividend of £4.2m (2020: £nil dividends paid). Working capital outflows included payments for tax deferrals from 2020, with provisions also decreasing by £3.2m (2020: decrease of £1.5m), due to the positive progress in addressing historic PI claims.

Contingent consideration

Contingent consideration at 31 December 2021 was £3.0m (31 December 2020: £5.4m). Contingent consideration relates primarily to the cost of acquiring the remaining shares in RSC. The year-on-year reduction reflects part settlement and an update to forecasts, both relating to RSC, with additions in the period due to the acquisition of Direct Life and Pensions.

Treasury and Risk Management

We have an active debt management policy. The Group does not hold or issue derivatives or other financial instruments for trading purposes. Further details on the Group's financial commitments, as well as the Group's treasury and risk management policies are set out in note 32 to the *Financial Statements*.

International Financial Reporting Standards (IFRS)

The *Financial Statements* have been prepared in accordance with international accounting standards in conformity with the requirements of the *Companies Act 2006* and UK adopted International Accounting Standards.

Note:

1 Adjusted cash-flow conversion defined as cash generated from operations (pre-PI Costs and post-lease liabilities) divided by Group Underlying Operating Profit.

Stakeholder Engagement Arrangements - including s172 Companies Act 2006 statement

This section of the Report describes how we engage with our stakeholders and how the Board and its Committees consider stakeholder views in their decision making.

We regularly review our arrangements to ensure that we are operating in line with best practice and each year the Board considers its stakeholder engagement arrangements. Our reviews also consider guidance published by the *Investment Association* and *The Chartered Governance Institute*, in addition to the *GC100 guidance on director's duties under section 172 of the Companies Act 2006.*

Our stakeholders

We have identified the following as our key stakeholders:

a. Shareholders.

b. Colleagues.

c. Customers.

d. Suppliers.

e. Regulators and professional bodies.

While we regularly consider other stakeholders such as our landlords and banking facility providers, this section of the Report focuses on our arrangements with key stakeholders.

Additional information on our stakeholder engagement is included in the *ESG Report* (page 27) and the *Corporate Governance Report* (page 45) sections of this Report.

Stakeholder engagement arrangements and report on 2021 activities

1. Shareholders

We place a great deal of importance on our communications with shareholders and seek to establish constructive relationships with investors and potential investors. We will undertake measures to gain investor feedback from time to time, to ensure we understand the views of our shareholders.

Institutional shareholders

We maintain a dialogue with institutional shareholders through regular meetings with them, attended by the Group Chief Executive Officer and Group Chief Financial Officer. At these meetings they typically discuss Group strategy, performance and governance matters and obtain investor feedback. In addition, presentations are arranged from time to time for shareholders and analysts, including after the publication of the interim and full year results.

The Code requires chairs of company boards to seek regular engagement with major shareholders, in order to understand their views on governance and performance against strategy. In line with this, all major shareholders are offered the opportunity to attend meetings with all the Non Executive Directors, including the Chair and the Senior Independent Director, as they require. From time to time, the Chair of the Board or of a Committee will meet with shareholders, to discuss specific issues such as remuneration policy or Board appointments.

Throughout each year, we ensure that all Directors understand the views of significant shareholders, including providing feedback received from the corporate advisers and Executive Directors and the distribution of analysts' reports to the Board.

During 2021 and into 2022, we have engaged with shareholders regarding ESG matters, and they have provided us with details of their ESG priorities, which we have taken into account in developing our *Living Responsibly Strategy* and our ESG programme. Shareholders views have been obtained in a variety of ways, including meetings with investors; reviewing investor publications; and responding to investor requests for information. We have also consulted with our corporate brokers on our ESG strategy, and they have also provided investor feedback.

See later in this Report (*s172 Statement*) for a description of how we considered stakeholder views in the development of our *Living Responsibly Strategy*.

If any shareholder or shareholder representative groups would like to discuss any issues or concerns with any Non Executive Directors, they can be contacted through the Company Secretary's office (see the *Shareholder Information* section of this Report for contact details (page 171)).

Individual shareholders

We consider the AGM to be our main forum for communication with individual shareholders and all of our Directors will be available at the 2022 AGM to meet with shareholders.

In addition to the above, we engage with our shareholders in the following ways:

a. Publication of information on our website (*lslps.co.uk*). This includes all regulatory news announcements as well as copies of presentations, financial reports and shareholder notices.

b. Holding of a general meeting. In 2021 we held a general meeting to approve matters relating to the Pivotal Growth joint venture with Pollen Street Capital, which is described in more detail below.

c. Responding to email enquiries.

d. Feedback received via our corporate brokers, Numis and Zeus.

2. Colleagues

We engage with our colleagues through:

a. Employee surveys. In 2021, we ran our annual colleague survey in addition to a series of *'pulse surveys'*, to gauge sentiment on a number of topical issues and gather more general feedback. The annual survey received a 76% response rate (3,119 responses), building on 2020's response rate of 75% (3,496 responses). The results are shared in detail with the Executive Committee and the Board. See *ESG Report* (page 27) in this Report for details of the key findings and actions arising from the surveys.

b. Our *Employee Engagement Forum*, *Inclusion and Diversity Forum* and *Communities Forum*, in addition to a number of Divisional employee forums. For further details on the *Inclusion and Diversity Forum* and *Communities Forum*, see the *ESG Report* in this Report (page 27).

c. Darrell Evans, as the Non Executive Director designated for workforce engagement (see below).

d. Emails from the Group Chief Executive Officer and Divisional Managing Directors. Each Division also runs local colleague conferences, as well as hosting intranet sites and message boards, keeping our colleagues up to date on company information.

e. The operation of all-employee share schemes, such as the SAYE and the BAYE/SIP. In 2021 we launched a sharesave scheme, which gave all colleagues in the Group the opportunity to participate in the all-employee share plan and to share in the Group's success. Further, for the first time, in 2021 the sharesave scheme option price was discounted by 20%, providing employees with a further incentive to join the scheme and resulting in record levels of employees joining this scheme.

   We also continued to operate an all-employee BAYE/SIP share plan. The plan allows employees to save up to £150 per month and buy shares in LSL in a tax efficient manner (as approved by HMRC). Furthermore, for every five shares that the employee purchases through the plan, one share is awarded as a matching share by the Company. Employees who participate in this plan also benefit from dividends which are reinvested into the plan, to further align employees and shareholders' interests.

f. Senior Management Conference. The Executive Committee hosted and delivered a conference to members of the Group's Senior Management Team in 2021. This was an opportunity to present the Group's strategy and plans for 2022.

Workforce engagement in 2021

During 2021, Darrell Evans met with the *Employee Engagement Forum* to discuss the Executive Directors' remuneration arrangements. Further detail on this exercise is set out below and in the *Directors' Remuneration Report* in this Report (page 60).

3. Customers

All Group businesses seek regular feedback from customers, which informs our decision making and, in particular, the improvement of our services, for example the development of technology in our Financial Services Division. This feedback is obtained through a number of methods, such as relationship management meetings, formal questionnaires, mystery shopping exercises and consumer focus groups.

Each of our Divisions also monitors KPIs and management information relating to its customer service, including complaints information and data tracking adherence to agreed service levels for corporate clients. We also have client relationship management arrangements. These approaches allow us to take into account customer views regarding our products and services.

In addition, as part of special business and regular presentations from each Division during the year, the Board receives reports on customer feedback, including consumer surveys and feedback from our key lender clients.

4. Suppliers

Across the Group, we manage our key suppliers through supplier management protocols, which include reviews of contractual performance and other KPIs. As part of Management's reporting, including special business presentations, the Board also receives information on key supplier engagements. We are also developing a supplier code of practice, which will be put into place in 2022.

5. Regulators and professional bodies

The Board receives regular reporting from Management on the Group's contact with regulators focusing on communications which are outside of business as usual engagements. This includes engagement with the FCA, HMRC, ICO, TPO and RICS.

The Group will also engage with regulators by participating in and contributing to consultations which are relevant to our businesses.

We also participate in discussions with the Bank of England from time to time regarding business activity and market conditions.

See also below our *Director Duties Statement* for examples of how shareholders, employees and customers were considered in the Board's decision making during 2021. The *ESG Report* in this Report (page 27) also describes how our businesses communicate with customers and suppliers.

Directors' Duties Statement (*s172 Companies Act 2006 S*tatement and Provision 5 of the Code)

Section 172 of the Companies Act 2006 sets out certain matters company directors must consider when performing their duty to promote the success of the company. These matters include taking into account the interests of stakeholders and the impact of decisions in the long term.

To support the Board in carrying out its duties under *s172*, Management is required to identify the stakeholder groups impacted by any proposals submitted to the Board for approval and explain what those potential impacts are.

The three examples below demonstrate how the Directors have considered stakeholders in principal decisions made during the year.

1. Investment in Pivotal Growth

In April 2021, we announced the formation of a joint venture with Pollen Street Capital to establish a joint venture vehicle (Pivotal Growth) which is seeking to become a leading national mortgage broker powered by market-leading technology, first-class regulatory compliance and exemplary customer service. The terms of the arrangement with Pollen Street Capital originally included a cap on the proceeds that we could receive on the disposal of our shareholding, and we sought and obtained shareholder approval to remove this cap in July 2021 when we held a general meeting. The details of the transaction, together with the circular published and issued to shareholders, are available on our website: *lslps.co.uk*.

When making its decision to invest in Pivotal Growth and seek shareholder approval for the removal of the cap, the Board considered the following stakeholder-related factors:

1. *Shareholders:* the investment will generate value for the Group as a result of our shareholding in the joint venture and also as a result of the recruitment of financial services brokers into the PRIMIS Network.
2. *The long term:* the investment will also generate recurring revenue for the Group and will increase the Group's share of the financial services market.
3. *Distribution partners:* the investment enables the Group to increase its distribution of insurance products and to grow its share of remortgage and product transfer business undertaken by PRIMIS Network members, thereby benefiting the Group's distribution partners. The Board also considered the impact of the investment on our existing Financial Services Network businesses and their broker firms as the investment is expected to result in growth and investment in our network businesses.

2. Living Responsibly Strategy

During 2021 the Board adopted a new sustainability strategy and programme which is detailed in our *ESG Report* (page 27) and our *Living Responsibly Report* (published on our website: *lslps.co.uk*), which involved the following:

1. Developing our *purpose, values* and *culture*. See *Strategy* section for details (page 10).
2. Establishing the *Living Responsibly Steering Committee,* whose members include the Executive Committee.
3. Creating two new employee engagement forums: *Communities* and *Inclusion and Diversity*.
4. Promoting diversity initiatives, including starting to gather diversity data on our colleagues and the adoption of Board and Senior Management Team diversity targets (subject to the *FCA* publication of the final rules).

When making its decision to adopt the strategy and programme, the Board considered the following stakeholders:

1. *Employees:* the Board considered the impact of the proposed strategy and ESG priorities on our colleagues. Our priorities are detailed in our *Living Responsibly Report,* and they include a number of initiatives which directly impact colleagues, such as the promotion of:
   a. Group HR employee welfare and inclusion and diversity initiatives.
   b. the work of the *Environmental Working Group* in identifying environmental initiatives, including greener company car schemes.
   c. the work of the two new employee engagement forums, which are supporting the ESG programme and capturing employee engagement via the forum members on an ongoing basis. We have encouraged our colleagues to directly participate in and support our *Living Responsibly Strategy*, including the ESG programme, and to contribute their views via these forums:
      i. the work of the *Communities Forum* to promote and support community and charity initiatives selected by our colleagues.
      ii. the work of the *Inclusion and Diversity Forum* and the development of inclusion and diversity initiatives by Group HR, which promote inclusion and diversity amongst our colleagues.
   d. colleagues engaging with the *Living Responsibly Steering Committee* via presentations and attendance at their meetings.
2. *Shareholders* have expressed their desire for companies to develop, implement and report on ESG strategies and the Board has taken these expectations into consideration when developing its approach. Shareholder views have been secured in a variety of ways, including views shared at meetings with us, documents published by investors or emails sent to us.
3. *Customers* and other business partners are considered in the development and delivery of our ESG initiatives. For example, key lender clients have shared their ESG priorities with us and we have considered how these priorities align with our strategy.
4. *The wider community:* the establishment of the *Communities Forum* is expected to deliver increased benefits to our wider community, for example by increasing opportunities for our employees to take part in community and charitable initiatives. Our colleagues are encouraged to seek and share the views from their local communities.

3. Executive Remuneration

Darrell Evans, independent Non Executive Director, Chair of the Remuneration Committee and the designated workforce engagement Non Executive Director, attended a meeting with the Group's *Employee Engagement Forum* to seek views on executive remuneration. At this meeting, the forum members received a presentation on executive remuneration matters and their views were sought on a range of matters including the alignment of executive remuneration to the remuneration policy for the wider workforce. The forum's feedback was then provided to the Remuneration Committee by the Group HR Director and Darrell at its meeting in December 2021. The feedback helped inform the Remuneration Committee's thinking, particularly with respect to appropriate non-financial measures for 2022 and the all-employee share plan awards for the coming year.

Principal Risks and Uncertainties

Our risk framework:

- Risk management is the responsibility of the Board and is a key factor in the delivery of the Group's strategic objectives. The Board establishes the culture of effective risk management and is responsible for maintaining appropriate systems and controls. The Board sets the risk appetite and determines the policies and procedures that are put in place to mitigate exposure to risks. The Board plays a central role in the Group's risk review process, which covers emerging risks and incorporates scenario planning and detailed stress testing.
- Risk management is underpinned by a governance framework that defines our governance structures and control functions, which in turn support Board decision making. The Group risk framework policy is reviewed and approved annually by the Audit & Risk Committee.
- We have adopted a *'three lines of defence'* approach to ensure risks are promptly identified and managed through robust oversight routines. These structures ensure that oversight activities are layered to prevent sole reliance on risk management updates from front line teams. Associated control functions perform regular assessments to articulate their tolerable risk boundaries and to identify emergent trends. These are factored into risk status evaluations, with risk treatment plans applied and issues escalated when appropriate. Examples of oversight functions include Risk and Governance (second line), Group Finance (second line) and Internal Audit (third line).
- The risk management routines are applied at both Divisional and Group level. They interface with relevant governance forums, to ensure our overall principal risk profile is regularly reassessed and approved.

2021 activities

- The Group has achieved record results in 2021 and successfully continued its strategic shift towards Financial Services despite the continuing challenges of COVID-19. Investment has continued in the Pivotal Growth joint venture and the development of core technology platforms that will drive future growth.
- The 2021 results have been supported by the operation of a risk management framework. Focus on core risk topics like change management, resilience and regulatory compliance have contributed to an environment where relevant risk factors are identified and managed in a way that supports sustainable growth.
- Improvements have also been delivered through the strengthening of some of our risk roles, and further details are provided in the *Audit & Risk Committee Report* on page 54.

2022 plans

- Our initiatives for 2022 include Group-led mapping and analysis of risk profiles across both businesses and support functions. This will include evaluating the clarity of responsibilities for key risk areas at Executive Committee level. Other initiatives involve developing dashboard reporting and '*speaking-up*' routines applied by key governance forums.
- Continuing progress with our *Living Responsibly* and ESG programmes, which includes managing ESG-related risks, remains a priority. This includes embedding further related governance routines at a Divisional level.
- Our Internal Audit plans will increase their focus on assessing the effectiveness of strategy execution and second line oversight routines.
- We will also strengthen our horizon-scanning routines and reassess our health and safety framework.

Our risk profile:

- We have undertaken a robust and systematic assessment of the Group's principal risks and uncertainties, including emerging areas. Divisional Management and the Audit & Risk Committee monitor and regularly evaluate changes in risk profiles, including our appetite levels. Changes to the risk profile influence risk themes for the Board to focus on and the parameters we apply to our viability stress tests.
- We consider that all of our principal risks and uncertainties are currently within the Group's risk appetite, though the overall trend of our aggregated risks is increasing.
- We added COVID-19 as a new principal risk in 2020 and established successful mitigations to protect our colleagues, customers and suppliers. Whilst the impact of successive pandemic waves is now better understood and safeguards are in place, we have retained this category as a principal risk due to the potential for significant future waves and variants.
- Principal risks and uncertainties are linked to key strategic goals as part of the following tabular summary. In the last year, we have particularly focused on delivery of our growth strategy, ensuring the resilience of core technology systems, developing the maturity of Divisional risk frameworks, and protecting the safety and welfare of our colleagues, customers and suppliers.
- Further detail on our principal risks and uncertainties, including recent gross risk trends, is provided as follows.

Nature of principal risk and uncertainty	Mitigating actions	Trend (gross)	Primary strategy link
1. UK housing market and mortgage lending			
Group performance and liquidity are sensitive to the UK housing market and the availability of mortgage funding, which in turn are influenced by external events.	• Our Financial Services led growth strategy and diversification of income streams are reducing dependency on housing market transactions. • We also manage cyclical trends by regular stress testing of market scenarios, a scalable cost base and a UK-wide spread, to avoid over-exposure to local market factors.	Stable	*Sustainable growth*
2. Market disruption			
We are exposed to competitive pressures from market participants, including new entrants, disruptor business models and new combinations.	• We monitor investment opportunities, including the expansion of joint venture activities through the Pivotal Growth arrangements. • We develop digital opportunities, new technology platforms and ways of working, to improve efficiency and the customer experience.	Decreasing	*Innovation*
3. Execution of growth strategy			
Weaknesses in decision making or implementation could mean that investments, acquisitions and major projects fail to deliver the Group's overall strategic aims.	• We continue to focus on Financial Services growth, such as the conversion of the Pivotal Growth investment targets and harnessing innovative digital platforms. • We have appointed a Group Chief Strategy Officer to oversee the development of our strategy. • Teams within each Division support due diligence, modelling and integration of acquisitions and investments.	Increasing	*Innovation*
4. Professional services			
We could be exposed to significant professional indemnity claims arising from lapses in the delivery of professional services across all Divisions.	• Our culture promotes effective conduct and positive customer outcomes. • Financial Services do not provide investment/wealth advice and our Surveying & Valuation activities focus on mainstream lending. This reduces exposure to products with higher risk features and complexities. • Our risk framework involves insurance arrangements and a '*three lines of defence*' approach to oversight routines, supported by quality assurance, Internal Audit and complaints/claims handling functions.	Decreasing	*Customer service*
5. Client contracts			
We could lose key B2B client(s) within the Surveying & Valuation Division, influenced by factors such as service delivery, commercial terms or competitive pressures.	• Our culture emphasises strong client servicing, innovative product delivery channels, and risk profiling of prospective clients, renewals and ongoing portfolios. • Our dedicated relationship managers closely monitor service levels, operating dependencies and compliance with contractual terms. • Delivery of key client contract renewals.	Stable	*Customer service*

Principal Risks and Uncertainties

6. Business infrastructure (including technology)			
We may fail to maintain resilient systems and technology that promote competitive advantage, robust client servicing and delivery of strategic objectives.	• Strategic focus on technology-based investments and consolidation of IT systems across brands. • Our *Data and Information Security Committee* sets Group policy and minimum standards; including continuity/ recovery routines, vetting of third party dependencies and maintenance of business interruption insurance. • Resilience safeguards also include learnings from a 2021 inter-Group breach simulation exercise involving a mock ransomware attack.	Stable	*Sustainable growth*
7. Information security (including data protection)			
A major data loss could lead to recovery issues, reputational damage and regulatory exposure.	• We have dedicated information security specialists and Data Protection Officers across all Divisions, within a Group environment involving base policy requirements, minimum standards (defined via *Cyber Essentials* standards), cybercrime insurance cover and governance support and Group co-ordination provided via the *Data and Information Security Committee*. • Investment in Group IT resource and staff training/awareness programmes. Recent 'deep dives' on technical areas, followed by Group-wide expertise sharing. • System security is supported by penetration testing, intrusion scanning routines, secure back-ups, encryption of key data and a robust access control framework.	Increasing	*Safety and integrity*
8. Regulatory compliance			
The Group and our associates are required to comply with various legal and regulatory requirements, including FCA authorisations and significant areas of emerging reform (for example in Estate Agency). Any significant compliance breaches could result in material financial sanctions and reputational damage. Recent focus topics include tenant welfare and a review of appointed representative business models.	• Our culture has reinforced our focus on fairness, transparency, delivery of robust customer outcomes and monitoring of emergent legislation. • The Group risk framework is supported by investment in specialist oversight roles (for example conduct risk expertise) across all '*three lines of defence*', with external consultative input sought as necessary. • We communicate a zero-tolerance policy for any weaknesses leading to regulatory breaches (including health and safety).	Increasing	*Safety and integrity*
9. Environmental, social and governance (ESG)			
We may fail to establish and deliver appropriate ESG performance, affecting our productivity, reputation and market value performance.	• We have a *Living Responsibly Strategy* and ESG programme sponsored by the Group Chief Executive Officer and led by the Group Chief Strategy Officer, with an overarching Executive steering forum and workstreams specialising in each focus area (environment, social and governance). • We recognise the importance of environmental, social and governance goals, which include a net zero carbon objective by 2040 (see *ESG Report* – page 27 and our *Living Responsibly Report (lslps.co.uk)*). • Progress is tracked against defined targets and benchmarks provided by proxy agencies (for example ISS).	Increasing	*Sustainable growth*

10. Employee resources and talent			
Failure to attract, develop and retain talented colleagues will affect the Group's ability to deliver our objectives, particularly in key strategic areas.	• We have governance routines, policies and initiatives, overseen by the Remuneration and Nominations Committees, to recruit and retain talent in key strategic roles. • We employ colleague surveys, workforce engagement forums, culture assessments and welfare initiatives as ways to identify and address pressures.	Increasing	People-driven
11. COVID-19 virus `			
Future waves or variants of COVID-19 may materially impact on our customers, suppliers, colleagues, and the wider housing market.	• We have adaptable working arrangements and customer service mediums in place, to minimise disruption to business activity. • Our agile business continuity plans promote secure technology connectivity. • We ensure effective health and safety at work arrangements are implemented to promote safe environments for colleagues, customers and suppliers.	Decreasing	Safety and integrity

Our viability:

The Directors have assessed the Group's prospects and financial viability, taking into account its current and expected financial position, existing banking facilities, actions available to management and the potential impact of its principal risks.

Assessment of prospects

Our business model and strategy are central to understanding our prospects and details are included in the *Strategy* section of this Report (page 10).

Our purpose is to provide first-class services to mortgage and insurance advisers, estate agents, lenders and their customers, to create long term benefits for external stakeholders and our people.

The Board assesses the Group's prospects throughout the year and particularly during the strategic planning process. This includes an annual review of our ongoing plan, led by the Group Chief Executive Officer and Group Chief Financial Officer, in addition to the relevant business functions involved.

The Directors participate fully in the annual planning process. Part of the Board's role is to consider whether our plan takes appropriate account of the changing environment, including macroeconomic, political (including geopolitical), regulatory and technological changes.

This process allows the Board to produce strategic objectives and detailed financial forecasts over a three year period. The latest updates to the plan were finalised in January 2022. This considered our current position and our prospects of operating over the three year period ending 31 December 2024 and reaffirmed our strategy.

COVID-19

We assess the risks related to the COVID-19 pandemic on an ongoing basis. Our approach ensures that we closely monitor any impact on our operations, including the effect of any national or local lockdowns or similar arrangements, and that we regularly reassess the risk status, identify actions we need to take, and conduct regular scenario modelling. Our principal risks and uncertainties continue to reflect the ongoing uncertainty arising from the pandemic.

Assessment of viability

Although the strategic plan reflects the Directors' best estimate of the Group's prospects in accordance with provision 31 of the Code, we have assessed our viability over a longer period than the 12 months required by the *going concern* provision.

For the purposes of assessing the Group's viability, we determined that a three year period ending on 31 December 2024 was appropriate, as it was consistent with the Board's strategic planning cycle. Our assessment took into account the Group's current position and prospects, the Board's risk management framework and the Group's principal risks and uncertainties.

We considered several severe but plausible scenarios and modelled two in detail, with input from across a functional group of senior managers, including representatives from the Divisional finance teams. Our base forecast and scenarios assume all three Divisions continue to operate.

The scenarios reflected the following risks:

- a severe downturn in our markets, close to the levels seen during the financial crisis in 2008, caused by one or more of COVID-19, Brexit or political, economic or other uncertainties; and
- a combination stress test, including the loss of a major contract and a PI claims risk event in Surveying & Valuation, a downturn in our markets, and a one-off regulatory fine following a data breach.

We developed detailed assumptions for each scenario and modelled them by month across the three year period. The models measured the impact on revenue and the actions we would take to retain cash reserves and maintain our operations such as the suspension of capital expenditure, which is within Management's control.

We also made assumptions about the stability and potential growth of the Group's recurring income and counter-cyclical businesses, notably mortgage and insurance renewals, lettings and asset management, and the extent to which we could quickly ramp up some activities, such as remote valuations, in extreme market conditions. The modelling and assumptions took account of our broad range of services across a wide geographical area, which gives us some protection from the impact of stress scenarios.

The Group's financial position was further strengthened during 2021 by our disposal of investments in two joint ventures, LMS and TM Group, for net proceeds of £41.3m. This contributed to a strong Net Cash position of £48.5m at 31 December 2021. We also have a revolving credit facility in place until May 2024.

The stress testing indicated that the Group would be able to withstand the financial and operational impact of each scenario and therefore continue to operate and meet its liabilities, as they fall due, over the three year period ending 31 December 2024. Under all of the modelled scenarios, the Group had sufficient liquidity throughout the going concern period and to the end of the planning period in December 2024.

Directors' viability statement (this statement is made by the Directors appointed at 31 December 2021 only)
Based on their assessment of the Group's prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years, and that the likelihood of extreme scenarios which would lead to a breach of covenant is remote.

The Directors also confirm that in making this statement they carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Board also considered it appropriate to prepare the *Financial Statements* on the going concern basis, as explained in the *Basis of Accounting* paragraph in the *Principal Accounting Policies* section contained within the *Financial Statements* of this Report.

The Audit & Risk Committee oversaw the process by which the Directors reviewed and discussed Management's assessment in proposing the viability statement.

Environmental, Social and Governance (ESG) Report

This section provides ESG information which we are required to include in this Report. For further details on our wider *Living Responsibly Strategy* and programme, please see our *Living Responsibly Report* which has been published at the same time as this Report and is available on our website: *lslps.co.uk*.

Our Approach

The Board has overall responsibility for our ESG approach. David Stewart, as Group Chief Executive Officer, is the Board sponsor of our *Living Responsibly Strategy* and Andy Deeks, Group Chief Strategy Officer, leads the development of our programme. Our arrangements include an assessment of ESG related risks and further details on these risks are included in the *Principal Risks and Uncertainties* section of this Report (page 22).

The diagram below illustrates the various matters which we have considered in developing our *Living Responsibly* programme, which includes our ESG arrangements.

Our ESG approach in 2021 involved three workstreams:

- *Environmental* – headed by David Akinluyi, Group Chief Operating Officer.
- *Social:*
  - o *Inclusion, Diversity and Equality:* headed by Helen Buck, Executive Director – Estate Agency.
  - o *Colleague Surveys, Mental Health and Wellbeing, and Learning and Development:* headed by John McConnell, Group HR Director.
  - o *Communities:* headed by *Communities Forum* (supported by Sapna B. FitzGerald).
- *Governance* – headed by Sapna B. FitzGerald, General Counsel and Company Secretary.

Progress with each of these workstreams in 2021 is set out below.

Environmental

During the year, we have sought to identify ways in which our businesses can reduce their impact on the environment, including considering the identification and adoption of targets. During 2022, we plan to continue to develop and implement our environmental initiatives.

2021 review

During 2021, we reviewed the environmental impact of our activities. This involved analysing our emissions, focusing first on *Scopes 1* and *2*. We engaged a consultancy in mid-2021 to support our work (see below *Greenhouse Gas Emissions*), which has helped us identify our climate-related risks and opportunities. For further information on our governance arrangements and our risk management processes, please refer to *Principal Risks and Uncertainties* section of this Report (page 22).

Further, through the adoption of new ways of working as a result of the pandemic, we have noted the positive impact that these changes have on the environment as we reduce business travel and hold meetings using internet-based solutions.

We have focused on assessing our *Scope 1* and *Scope 2* emissions utilising science-based target tools and creating a credible plan for delivery.

COVID-19 impact

COVID-19 had a periodical impact on the Group's emissions. Apart from lockdown periods the business was still operating and generating emissions across the Estate Agency Division who were permitted to trade with restrictions (with exception of the first lockdown). Vehicle emission levels also reduced periodically in e.surv as more remote valuations were being completed during this time. Employee commuting to head offices reduced significantly due to greater remote working and the use of internet-based solutions to facilitate communication.

2022 actions

During 2022 we will undertake an analysis of our *Scope 3* emissions. We are committed to becoming a net zero carbon business on our direct operations by 2040. Further details on our target is included below in our *Task Force on Climate-Related Financial Disclosures* (***TSFD***) reporting.

2022 targets

In alignment with international and governmental commitments to keep the global temperature increase to well below 2°C above pre-industrial levels and limit the increase to 1.5°C, we have committed to reducing our impact via the following *Scope 1* activities.

Scope 1 - Removing 480 tCO_2e through procuring green energy gas supply to our locations and transitioning our diesel and petrol fleet vehicles to hybrid and electric vehicles.

Scope 2 - Procuring energy from renewable sources at 99% of our locations aligns us with our net zero target at the end of 2022. The Board will receive regular updates with our achievement of these targets, and we may set additional targets during the year.

Environmental policy

We have an environmental policy, which addresses employee waste management, including recycling, energy and resource consumption and encouraging the issuing of low and zero emissions fleet vehicles. The policy is made available to all colleagues on our Group HR self-service platform and reviewed annually.

For further information on our climate-related financial disclosures, as required by the TCFD, see below.

*Energy Savings Opportunities Scheme (**ESOS**)*

We continue to progress our delivery of the 2019 ESOS audit and our performance against our objectives is summarised below:

a. Energy from renewable sources to 100% of our managed locations.

b. The transition from diesel and petrol vehicles is ongoing and during 2021 numbers reduced to 498 vehicles (2020: 581); hybrid vehicles increased to 175 (2020: 123) and electric vehicles (**EVs**) to 23 (2020: 9).

c. Recycling facilities are provided at all locations with 41% of waste recycled during 2021, an increase of 6% over the previous year.

d. Confidential waste is securely managed through our accredited partner. 53 tonnes were collected during 2021, with the equivalent of 1,032 trees saved.

e. The improvement in electrical efficiencies is ongoing, including the provision of LED lighting, installed at 44% of locations.

f. The installation of energy efficient systems continues, as existing facilities reach end of life.

g. Smart meters have been installed at 77% of our sites.

h. Water meters have been installed at 85% of our sites.

We continue to engage with our landlords, and at multi-tenanted sites seek to influence change on environmental matters around green energy, recycling and provision of EV charging points. We have also engaged with our colleagues on environmental matters through the creation of an *Environmental Working Group* (**EWG**), which is chaired by David Akinluyi, Group Chief Operating Officer. The EWG includes representation from each of the Divisions and reports into the *Living Responsibly Steering Committee*.

Greenhouse Gas Emissions

During the 2020/21 reporting period, the Group emitted a total of 2,165 tCO2e from fuel combustion and operation of facilities (*Scope 1 direct*), and electricity purchased for the Group's own use (*Scope 2 indirect*). This is equal to 7 tCO2e per £m of revenue or 0.52 tCO2e per FTE employee.

The table below shows our tCO2e emissions for the period 1 October to 30 September for the years 2016 to 2020.

(tCO2e)	2020/21	2019/20	2018/19	2017/18	2016/17
Combustion of fuel and operation of facilities (*Scope 1*)	**2,125**	2,517	3,420	3,705	3,959
Electricity, heat, steam and cooling purchased for our own use (*Scope 2*)	**39**	1,139	1,535	2,625	2,721
Total *Scope 1* and *2*	**2,165**	3,656	4,955	6,330	6,680
tCO2e per FTE employee	**0.52**	0.94	1.17	1.27	1.47
tCO2e per £m revenue	**7**	14	16	20	22

Since 2017 our absolute emissions have decreased by 68%. This has principally been due to the commitment of the Group to reducing its carbon footprint and progress on a number of objectives within our environmental policy, as described earlier in this section. The most significant improvement in *Scope 2* emissions in comparison to the prior year has been as a result of the move to renewable energy for our managed properties.

Greenhouse gas reporting methodology

The Group quantifies and reports on its organisational greenhouse gas emissions according to *Defra's Environmental Reporting Guidelines* and has utilised the *2021 UK Government GHG Conversion Factors for Company Reporting*, in order to calculate CO_2 equivalent emissions from corresponding activity data. We also utilised data required for compliance with *Streamlined Energy and Carbon Reporting* (**SECR**) and ESOS.

Greenhouse gas reporting boundaries and limitations

The emission sources included in this Report fall within the consolidated *Financial Statements*. We do not have responsibility for any emission sources that are not included within the consolidated *Financial Statements*. We have not, to date, calculated our fugitive refrigerants from air conditioning equipment, as these are considered to be de minimis. However, we may look to quantify and report on emissions from this source in future years.

The greenhouse gas sources that constitute our operational boundary for the 2020/21 reporting period are:

- *Scope 1*: Natural gas combustion in boilers and road fuel combustion in vehicles; and
- *Scope 2:* Purchased electricity consumption for our own use.

During 2022 we will undertake an analysis of our *Scope 3* emissions.

Greenhouse gas reporting assumptions and estimations

In some cases, missing data has been estimated using either extrapolation of available data from the reporting period or data from 2019/20 as a proxy.

Task Force on Climate-Related Financial Disclosures (TCFD)

We have adopted the TCFD's recommendations to aid our understanding of the impacts of climate change on our business.

TCFD Governance

David Stewart, as Group Chief Executive Officer has Board oversight and responsibility for climate-related risks and opportunities, as part of his overall sponsorship of our ESG programme. David is supported by Andy Deeks, Group Chief Strategy Officer, who is responsible for developing our *Living Responsibly Strategy*, which includes climate-related issues, and for ensuring the defining of our *purpose*, *values* and *culture* and the alignment of these to our strategy, including our climate-related strategy.

The Living Responsibly Steering Committee receives reports on climate-related issues and reports from the EWG. The EWG is focused on defining, implementing and tracking our environmental initiatives.

The Audit & Risk Committee supports the Board in managing all risks, including climate-related risks. Our review of our principal risks and uncertainties has included assessing the impact on climate change on our Group.

TCFD Strategy

As a services business, we do not have a significant environmental footprint. However, we are committed to assessing and mitigating physical and financial climate change adaption risks across our businesses.

In line with the TCFD recommendations, we undertook an assessment of our risks, and this covered both physical risks (i.e. physical impacts of climate change, such as severe weather, flooding events, increase in temperature and sea level rise) and transition risks (i.e. risks relating to the transition to a lower-carbon economy in order to avoid the worst physical impacts of climate change, such as policy and regulation changes).

Climate-related opportunities for the Group include the financial benefit of a shift in customer preferences to favour environmentally friendly products and helping people to understand the environmental performance of their properties. We will continue to develop our response to climate change issues and seek to operate the business in a manner that meets the expectations of our stakeholders. The most significant opportunities in the medium to longer term will arise from improvements in our operational resilience, which we expect to see as a result of the climate change transition and adaptation measures being implemented.

During 2022 and beyond, we plan to develop our climate-related risk assessment methodology to ensure we identify and assess risks and opportunities that we may face beyond our typical business planning cycles. Furthermore, we will undertake scenario modelling to assess the resilience of the business strategy, taking into consideration different climate-related scenarios.

TCFD Risk Management

Our existing risk management and control framework enables us to effectively identify, assess and manage climate-related risks. During the year, we assessed and evaluated risks relating to climate change and these were discussed by the *Living Responsibly Steering Committee* and EWG. They are also factored into our review and reporting on our principal risks and uncertainties. See the *Principal Risks and Uncertainties* section of this Report (page 22) for further details of our ESG risks.

Management of our climate-related risks is overseen by David Akinluyi and this forms part of the wider ESG risk management which Andy Deeks oversees. The *Living Responsibly Steering Committee* and EWG monitor the identification and assessment of climate-related risk and the implementation and tracking of the Group's environmental initiatives.

During 2022 we will continue to embed climate risk into our Group-wide risk management framework, which includes identification and assessment, management and aggregation and reporting.

TCFD Metrics and Targets

We have been reporting on our greenhouse gas emissions since 2013 and we have consistently reduced our carbon footprint each year. Since 2017, our absolute emissions have decreased by 68%.

We monitor and report our *Scope 1* and *2* emissions (with work on *Scope 3* assessment ongoing) and our operational targets are aligned to the *Paris Accord*, which is a global agreement to keep temperature rise well below 2^{o}C above pre-industrial levels and pursue efforts to limit the increase to 1.5^{o}C.

Net Zero Target

We are committed to becoming a net zero carbon business on our direct operations by 2040 and we have a science-based carbon target to reduce our *Scope 1* operational carbon emissions by a total of 63% by 2035, aligned with a 1.5^{o}C scenario. We intend to commit to additional science-based targets during 2022 and this is subject to additional work, which we are carrying out to assess our *Scope 3* emissions. Management has not fully determined the financial impact of becoming a net zero business by 2040 and therefore the financial impact is not fully incorporated into the *Financial Statements*.

We continue to make positive progress against these targets. Further information can also be found in our *Living Responsibly Report*.

People

A key aspect of our ESG programme involves considering our impact on, and investment in, society and the communities in which we operate. During 2021, our social workstream involved a focus on people and this was headed by Helen Buck, Executive Director – Estate Agency and by John McConnell, Group HR Director. This workstream has focused on improving the experiences of our colleagues.

Colleague Engagement:

Our people programme includes three Group colleague engagement forums:

1. *Communities Forum*
2. *Inclusion and Diversity Forum*
3. *Employee Engagement Forum*

Further information on the *Employee Engagement Forum* can be found below and in the *Stakeholder Engagement Report* of this Report (page 19).

The *Communities and Inclusion and Diversity Forums* were established in late 2020 and started work in early 2021. Their members include colleagues who joined the forums as volunteers. Both forums have a chair, who is mentored by Helen Buck (for *Inclusion and Diversity*) and Sapna B. FitzGerald (for *Communities*). The forum chairs are financially compensated for their roles and report directly to David Stewart, providing him with regular updates on the work of the forum and the views of its members.

Examples of initiatives delivered by the forums in 2021 are provided in our *Living Responsibly Report*.

Group colleague matters are overseen by John McConnell, including ensuring the promotion of equal opportunities in the Group. During 2021, the Group HR team established a series of initiatives as part of our ESG programme, some of which are described in our *Living Responsibly Report.* One such initiative, in consultation with the forum, was the evaluation of charters focused on race and ethnicity. This work is continuing into 2022 and we intend to select one to adopt over the coming year.

*Inclusion, Diversity and Equality (**I,D&E**)*

The Group HR projects support the Group's I,D&E objectives, which have been adopted by the Board and are summarised below:

Our I,D&E Vision

Welcoming people of all backgrounds and identities, through inclusive working cultures and practices.

Our I,D&E Goal

To have a workforce that reflects the communities in which we operate, and to provide a platform that supports progression, promotes health and wellbeing, and creates a positive impact.

Our I,D&E Pillars

Creating Awareness

Improving our employees' understanding and interactions

Continually Improving Our Practices

Developing our infrastructure for inclusive, diverse and equal working practices

Promoting Opportunity

Giving our employees equal opportunity of access and development

Gender Diversity Key Performance Indicators

Set out below is data on the diversity of our colleagues together with key performance indicators for 2021 and targets for 2022 and beyond.

	2021	2020	2019	2018	2017
Total employees at 31 December	4,617	4,335	4,772	5,463	5,084
Total employee turnover percentage (%)	28.1	17.4	26.7	27.0	28.7
Male	2,173	2,104	2,255	2,562	2,273
Female	2,444	2,231	2,517	2,901	2,811

Note: Data excludes forced leavers

During 2021 we asked employees to anonymously provide diversity information as part of our annual employee survey, to allow us to begin our journey to better understand our workforce and to understand how representative we are of the communities in which we work. A similar exercise was also undertaken amongst our Senior Management Team population as part of our 2021 Group-wide talent review.

As a result of these diversity surveys we can disclose the following ethnicity information for our Board, Executive Committee, Senior Management Team and wider workforce at 31 December 2021:

	White ethnic background	Non-white or ethnic minority background
Directors[1]	100%	0%
Executive Committee[2]	78%	22%
Senior Management Team[3]	90%	10%
All Employees[4]	95%	5%

The figures in the table are representative of those who provided a response to the diversity surveys: 91% of the Senior Management Team (including 100% of Executive Committee and Directors) and 76% of all employees responded. Please see *Employee Feedback* section below for more information on the annual survey.

Notes:

[1] '*Directors*' includes both Executive Directors and Non Executive Directors at 31 December 2021 and excludes any appointments after this date. The *Corporate Governance Report* includes gender and ethnicity data in relation to our Board and the Executive Committee.

[2] '*Executive Committee*' includes three Executive Directors.

[3] '*Senior Management Team*' includes three Executive Directors, and the Executive Committee and their direct reports, excluding PAs and administrators, at 31 December 2021.

[4] '*All Employees*' includes both Directors and Senior Management Team, and this data is obtained from the surveys conducted during 2021.

As part of the employee survey and a Senior Management Team talent review exercise, we also asked our employees to provide us with information on their gender identity, which we recognise may differ from legal sex and enabled colleagues to identify as non-binary.

As an employer we also hold information on employees' legal sex, which is held for a variety of legislative reasons. As this dataset is complete it has been chosen for reporting purposes, however this will be kept under review in future years as we hope to improve our employee data collection methods.

The information for our Board, Executive Committee, Senior Management Team and wider workforce is as follows:

	Female	Male
Directors[1]	25%	75%
Executive Committee[2]	22%	78%
Senior Management Team[3]	30%	70%
All Employees[4]	53%	47%

Notes:

[1] '*Directors*' includes both Executive Directors and Non Executive Directors, at 31 December 2021 and excludes any appointments after this date.

[2] '*Executive Committee*' includes three Executive Directors.

[3] '*Senior Management Team*' includes three Executive Directors, Executive Committee and their direct reports, excluding PAs and administrators, at 31 December 2021.

[4] '*All Employees*' information at 31 December 2021.

Future Diversity Reporting and Targets

We are in the process of collecting further detailed data on the diversity of our workforce and we plan on reporting our progress on the data collated in our ESG reporting next year. We are at the start of a journey, moving forwards towards building full insight into our Senior Management Team population and Group colleagues so that we may be as representative as possible of both the communities in which we operate, and the UK population.

Based on the disclosed information presented above as well as the available census data we have established new gender and ethnicity targets for our Senior Management Team in an effort to ensure we make progress against this objective:

Senior Management Team Targets: by 1 January 2023, we are targeting that:

- at least 33% of senior management are female (or identify as female); and
- at least 11% of senior management are from a non-white ethnic minority background.

These targets will be reviewed and adjusted as we generate further insights into our workforce and when 2021 census data is made available. We will be focusing on recruitment, appointments and promotions and development within the organisation to monitor progress. Our objective is to have a workforce reflective of society as a whole and it is to set targets relating to our wider workforce, taking into consideration geographic differences, which will be aligned with the 2021 census data when it is available. For details of the diversity of the Senior Management Team at 31 December 2021, see above.

Targets relating to the Board have not yet been adopted, as we are awaiting the regulatory requirements to be published following the FCA's 2021 consultation into diversity. For further information see the *Corporate Governance Report* of this Report (page 45).

Disabled Colleagues

We have reviewed our relevant policies and procedures for accessibility, to help ensure that we accommodate all abilities wherever possible, both during recruitment and selection and then throughout the employee journey. If existing employees become disabled, we make every reasonable effort to ensure their employment with us can continue on a worthwhile basis and to explore reasonable adjustments, with career opportunities remaining available to them based on aptitude and ability.

We have also signed up to the *Department for Work and Pension's Disability Confident Employer Scheme*, for which we will aim to achieve Level 3 '*committed*' certification during 2023. This involves initiatives such as physical accessibility audits of certain sites, with training designed for *Group Disability Champions* who will be able to offer support and advice for managers and colleagues to better support people with disabilities. At the end of 2021, we also considered alignment and partnership with *Disability Rights UK*, to improve our support for colleagues with disabilities throughout their career with us. We will pursue this during 2022.

Colleague Training and Policies

David Stewart has overall responsibility for colleague matters, with John McConnell responsible for our employment policies and practices. Our Internal Audit team undertakes employee awareness audits of our policies, and the Board receives regular Group HR reporting to the Board, which includes indicators such as staff turnover.

Our Group HR policies cover a wide range of employee related subjects, such as standard setting for performance and conduct within the workplace. We also have policies, including a *Family Friendly Policy*, which document the procedures for supporting colleagues with their work and home responsibilities, as well as an *Equality and Diversity Policy*, which sets our approach to ensuring fair behaviour and other workplace measures. John McConnell has overall responsibility for Group HR policies and each policy is subject to regular reviews by the policy owner, to ensure continued compliance with employment regulations.

The Group HR policies are accessible to all colleagues via our central Group HR self-service system and on other business intranets. For further information relating to our Group HR policies, please refer to the *Living Responsibly Report* which can be found on *lslps.co.uk*.

Employee data processing is governed by the *Group Data and Information Security Policy*, *HR Data Handling Policy* and *Group Data Protection Policy*, which are accessible to all employees on the Group HR self-service platform, and the latter of which form part of the Group's *Information Security Framework*. For details of internal controls, see the *Audit & Risk Committee Report* in this Report.

A suite of training materials on inclusion and diversity issues has been created and is in the process of being delivered. It covers a range of topics, from understanding the importance of diversity and inclusion, to practicing conscious inclusion and beyond. We are delivering this training in bitesize online sessions. We also launched a new *Speak Up Policy* and training, following a review of our whistleblowing arrangements.

We operate an apprenticeship programme which provides access to further education for all employees, including those who may not have otherwise had access to such opportunities. The programme assists with mobility throughout the organisation, as well as supporting individual career progression, further enhancing access for diverse individuals. Details relating to our programme in 2021 are contained in our *Living Responsibly Report*.

With respect to our recruitment arrangements, we aim to appoint the best candidates based on suitability for the job and to treat all employees and applicants fairly, regardless of any characteristic or background, and to ensure that no individuals suffer harassment or intimidation. To support this work, we have signed up to the *Recruitment and Employment Confederation's Good Recruitment Charter*, which has involved a gap analysis to identify areas of improvement in our approach. We will respond to areas identified through new project work.

To support diversity in our Group, our recruitment teams have successfully gained a recruitment licence through the first phase of deployment of a new *Licence to Recruit* training programme in 2021. This is designed to establish consistent recruitment practices involving conscious inclusion, which is being delivered to our hiring managers in 2022. We are committed to developing our data infrastructure for recruitment and will be reviewing our technology and process throughout 2022.

Details relating to our training arrangements including our expenditure in 2021, can be found in the *Living Responsibly Report*.

Colleague Health, Safety and Welfare

Adam Castleton, Group Chief Financial Officer has overall Group responsibility for health and safety arrangements. A *Health and Safety Policy* is in place to ensure the wellbeing and safety of colleagues, visitors, members of the public and contractors. The Board receives bi-annual reports on health and safety matters and the *Health and Safety Policy* is reviewed annually and submitted for Board approval. We have procedures in place to comply with all relevant regulatory requirements and we have a zero tolerance for any breaches of health and safety requirements.

We are committed to doing all that is reasonably practicable to maintain a safe working environment through identifying and managing hazards and preventing accidents and injuries to employees. We have processes for reporting hazards and accidents, which form part of the monthly reporting to Adam Castleton. Training supports the *Health and Safety Policy,* and we encourage colleagues to raise issues with management or via the *Speak Up Policy*. Additionally, all employees have a duty to do everything possible to prevent injury to themselves and to others and to exercise responsibility.

Our Internal Audit team undertakes subsidiary company audits, including reviewing *Health and Safety Policy* documentation, certification to ensure compliance with statutory requirements, employee engagement, record keeping on hazards and accidents, and the follow-up actions identified and implemented. Internal Audit submit its reports to the Audit & Risk Committee.

Following the launch in 2020 of various mental wellbeing initiatives, including the expansion of an *Employee Assistance Programme (***EAP***)* to cover all Group businesses, during 2021 we launched an app to make the service more accessible for employees. The app operates in addition to the online portal and telephone service. Training remains available to employees and managers where required. The Board and Senior Management Team continue to fully support mental wellbeing initiatives, with senior leaders demonstrating their commitment through an employer pledge to support mental wellbeing, to which the businesses committed in 2021. For further information on our learning and development arrangements please refer to the *Living Responsibly Report*. The *Stress and Mental Wellbeing Policy* is reviewed annually and is available to all employees on the Group HR self-service platform.

Employee Feedback

The Board receives employee feedback via the Group's employee opinion surveys, which are undertaken across all Group businesses. Supplementing the annual survey is a pulse survey, which ran twice in 2021. The employee opinions captured are then presented to the Board as part of a regular review of employee matters. Key performance indicators such as labour turnover and responses to key questions are also monitored, to measure staff morale and review culture.

The employee opinion surveys also provide the Executive Committee and the Board with insight into what factors concern and motivate the Group's employees and contribute to action plans and/or focus groups across the Group. The employee survey process is regularly evaluated and developed, to maximise the validity and reliability of the data captured.

We engage a consultant to assist with the annual employee opinion surveys. This allows us to generate an accurate picture of engagement across the Group and to benchmark the results against similar organisations, using the consultant's data.

The 2021 survey related to 2020 and, as in previous years, covered all aspects of the working environment. This included culture, training, careers, performance and communications, together with questions on the effectiveness of Group companies' management and leadership. As noted above, the survey also included questions relating to diversity for the first time in 2021. The response to the 2021 survey was very positive, with 3,119 employees taking part, making it our highest recorded participation rate at 76% (2020: 3,496 (75%)).

The annual survey provided insight into a number of areas, including positive feedback that:

- Employee engagement had increased, and for almost all Group companies there was an increase in satisfaction and commitment.
- Good communication underpinned some of the best improvements, with employees highlighting their awareness of what is happening generally, communication between departments, a clear link between roles and the achievement of objectives, and feeling free to raise concerns.
- Against the external benchmark, high scores for questions related to communication were also prominent.

The Group has an *Employee Engagement Forum*, with the Senior Management Team and other colleague representatives from across the Group. In 2021, the forum met remotely each month, meeting in person once towards the end of 2021. Initiatives, such as the pulse survey, are shared across the Group to improve employee engagement.

The forum also met twice with Darrell Evans, the designated Non Executive Director, in relation to executive remuneration. As outlined in the *Stakeholder Engagement Arrangements* (page 19) and *Corporate Governance Report* (page 45) sections of this Report, the Group's *Employee Engagement Forum* provides a vehicle for Darrell to establish regular dialogue with some of our colleagues.

Communities

Our businesses have a direct impact on local communities and the Board recognises that good relations with these communities are fundamental to our sustained success. Through our social programme, we support our businesses and their investment in the communities in which they operate. We are sensitive to local communities' cultural, social and economic needs and are committed to acting responsibly wherever we operate. The Group's social and community interests also include the promotion of human rights, ethical issues and the prevention of modern slavery.

We believe that working in partnership with communities consistently is the most effective way to achieve objectives and lasting change. During 2021, our businesses achieved these objectives in a number of ways including:

- supporting the work of the *Communities Forum*;
- making donations to local and national charities;
- supporting and organising fundraising events, including supporting charities and local community initiatives selected by Group companies; and
- supporting employees in their personal fundraising ambitions.

Further details of some of our community initiatives, see the *Living Responsibly Report*.

Governance

Our governance arrangements are sponsored and led by Sapna B. FitzGerald, General Counsel and Company Secretary. For details of our governance arrangements relating to the Board and its Committees, see the *Corporate Governance Report* (page 45) of this Report. The *Directors' Remuneration Report* (page 60) contains details of how we have incorporated ESG matters into Executive Director remuneration arrangements. The *Purpose, Strategy, Culture, Values and Business Model* section (page 10) of this Report contains details of our *purpose*, *values* and *culture* and how they are aligned to our *strategy*.

ESG Governance

The Board has overall responsibility for the Group's *Living Responsibly Strategy*, including the ESG programme. The strategy and programme were developed during the year and were presented to and adopted by the Board.

Through regular reporting, the Board receives information on ESG matters and ensures that these issues are taken into account in its decision making. The Board also ensures that ESG-related risks are managed and mitigated. As part of the ESG programme, risks are reviewed periodically with mitigation identified and addressed through the programme of work. Further details on our internal controls and risk management arrangements are contained in the *Principal Risks and Uncertainties* section (page 22) of this Report. Our ESG governance arrangements include a suite of policies and statements which are subject to Board review and approval. This includes the Group's *Combined Ethics Policy (**CEP**)*, which is one of the policies that is presented to the Board for annual review and approval.

The CEP covers:

a. anti-slavery and human trafficking (see below);

b. anti-corruption and bribery (including hospitality);

c. conflicts;

d. fraud;

e. tax evasion; and

f. whistleblowing, which is in addition to the Group HR published *Speak Up Policy*.

All of our colleagues have access to the CEP. The Internal Audit team audits awareness and compliance with the CEP and reports its findings to the Audit & Risk Committee or Board (as appropriate).

All of our businesses are committed to conducting business in a socially responsible way. We seek to carry out our businesses in accordance with appropriate ethical standards and to be honest and fair in our relationships with customers and suppliers. Additionally, after engaging with our suppliers on anti-slavery practices, we are developing a comprehensive supplier code of conduct, which we aim to launch towards the end of 2022.

Modern Slavery and Human Rights

We undertake arrangements which seek to prevent modern slavery and human trafficking occurring within our businesses or any of our supply chains. During 2021, we continued with our arrangements to ensure compliance with the *Modern Slavery Act 2015*, including publishing our *Modern Slavery Statement* for the financial year ending 2020, which was published in April 2021 (see *lslps.co.uk/modern slavery*).

We also have a dedicated *Anti-Slavery and Human Trafficking Policy*, which in combination with our whistleblowing arrangements provides information and guidance to colleagues on how to recognise and deal with anti-slavery and human trafficking issues.

Bribery Act 2010

We have adopted a risk-based approach to ensuring compliance with the *Bribery Act 2010*. We seek to identify and review anti-corruption and bribery risks in the development of our policies and procedures, which are reviewed periodically. The *Anti-Corruption and Bribery Policy* sets out information and guidance for colleagues on how to recognise and deal with bribery and corruption issues.

Payment Practices Reporting

Your Move, Reeds Rains and e.surv annually submit their payment practices reports, which are available on the Government's website for report submissions *(check-payment-practices.service.gov.uk/)*.

Tax Evasion

In 2021, the Board reviewed our *Tax Evasion Policy* as part of the CEP review. We also reviewed our tax strategy in 2021, which is available on our website *(lslps.co.uk/investor-relations/corporate-governance/tax-strategy)*.

The Board

This section of the Report includes information on the Directors and Company Secretary as at 28 April 2021.

Executive Directors

David Stewart, Group Chief Executive Officer

David was appointed Group Chief Executive Officer on 1 May 2020 and has primary responsibility for LSL's performance, strategy and development. Prior to this David was a Non Executive Director, having joined the Board on 1 May 2015. He was also Chair of the Audit & Risk Committee and a member of the Remuneration and Nominations Committees. David has significant experience in finance, strategy, operations, risk and compliance, with particular expertise in financial services. Previously, he was Chief Executive of the Coventry Building Society from 2006 to 2014, having earlier served as Finance Director and Operations Director. Prior to joining the Coventry, David spent ten years at DBS Management plc, holding a number of board positions including Group Chief Executive and Group Finance Director. David qualified as a Chartered Accountant with Peat Marwick (KPMG) and is a graduate of Warwick University. He is also the Non Executive chair of the Enra Group.

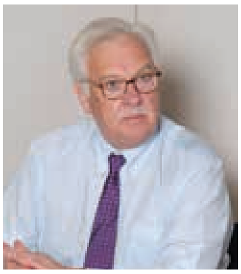
Adam Castleton, Group Chief Financial Officer

Adam was appointed Group Chief Financial Officer on 2 November 2015. He has broad financial skills and experience in the retail and services sectors and joined LSL from French Connection Group PLC, where he was the Group Finance Director. He previously held leadership roles at a number of market-leading companies including O2 UK, eBay and The Walt Disney Company. Adam has over 30 years' experience in finance, having started his career with Price Waterhouse, where he qualified as a Chartered Accountant in 1989.

Helen Buck, Executive Director – Estate Agency

Helen was appointed as Executive Director – Estate Agency on 2 February 2017. She has overall responsibility for the performance, strategy and development of LSL's Estate Agency Division. Prior to this role Helen had, since December 2011, served as an independent Non Executive Director and was a member of LSL's Nominations and Remuneration Committees. Helen was previously Chief Operating Officer at Palmer & Harvey and was part of the Sainsbury's management team from 2005 to 2015, including five years as a member of the Operating Board. Helen has extensive expertise in strategy, marketing, commercial and operations. Before joining Sainsbury's, Helen held senior positions at Marks & Spencer, Woolworths and Safeway, and was a senior manager at McKinsey & Co.

Non Executive Directors



Bill Shannon, Independent Non Executive Director, Chair of the Board

Bill was appointed as Chair of the Board with effect from 28 April 2021, having been first appointed as a Non Executive Director on 7 January 2014. He also chairs the Nominations Committee and he is a member of the Remuneration Committee. Bill was deemed to be independent prior to his appointment as Chair of the Board.

Bill has significant PLC board experience in strategy, operations, finance, and governance, in the consumer, financial services, residential and commercial property sectors. He is also currently Council Member at the University of Southampton and Independent Non Executive Chair of Ashtead Technology Holdings plc, which is AIM Listed. He was previously at Whitbread Group plc from 1974 and between 1994 and 2004, he was a Divisional Managing Director. He has also served as Non Executive Chair of Johnson Service Group plc, of Aegon UK plc and St Modwen Property PLC, and as a Non Executive Director of Rank Group plc, Barratt Developments plc and Matalan plc.

Gaby Appleton, Senior Independent Director

Gaby joined LSL as an independent Non Executive Director on 1 September 2019 and was appointed Senior Independent Director on 30 June 2021. She is also a member of LSL's Nominations, Remuneration and Audit & Risk Committees. Gaby has significant experience in strategy, technology, product development, and sales and marketing, particularly in the professional information solutions sector. This includes her current appointment as Chief Digital Product Officer at Reed Exhibitions (a RELX Group plc company). Gaby has previously held a number of executive strategy, digital and marketing roles including Global Director of Strategy and Director of Research Strategy at Elsevier in Amsterdam, and she was a board member at the International Association of STM Publishers, a global industry trade body. Before joining Elsevier, Gaby held operating positions at Sainsbury's Supermarkets Ltd, within the Procter & Gamble group of companies, and was a senior manager at McKinsey & Co. Gaby holds a BA from the University of Cambridge.

James Mack, Independent Non Executive Director

James was appointed as an independent Non Executive Director and as Chair of LSL's Audit & Risk Committee on 27 September 2021. He also serves on the Group's Nominations and Remuneration Committees. James has significant experience in audit, risk and financial services, particularly in retail financial services. This includes his current appointment as Chief Financial Officer at Barclays Bank UK plc. James was previously Chief Financial Officer at Aldermore plc and acting Chief Financial Officer at the Co-operative Bank. His previous experience also includes senior roles in finance and internal audit at Skipton Building Society. James qualified as an accountant with KPMG and holds a BA from the University of Nottingham. James was deemed to have relevant financial experience to Chair the Audit & Risk Committee.

Darrell Evans, Independent Non Executive Director

Darrell was appointed as an independent Non Executive Director on 28 February 2019 and as Chair of the Remuneration Committee with effect from 28 April 2021. He is also a member of LSL's Nominations Committee and the Audit & Risk Committee and is LSL's designated Non Executive Director for workforce engagement. He has significant experience in financial services and is currently Managing Director, Retail Bank at the Co-Operative Bank plc. Darrell spent the first part of his career at Royal Bank of Scotland plc, where he was Managing Director, Mortgages, Loans and Retail Telephony in the retail banking division, responsible for all aspects of the Group's mortgage proposition. Prior to that he was Product Director for the RBS retail bank. Darrell has also held senior executive roles at Direct Line Insurance Group plc, Virgin Money plc and The Consulting Consortium, where he was CEO.

Sonya Ghobrial, Independent Non Executive Director

Sonya was appointed as an independent Non Executive Director on 4 March 2022. She is also a member of LSL's Remuneration Committee, Nominations Committee and the Audit & Risk Committee. Sonya has significant experience in banking, finance, strategy, investor relations, governance and ESG, which she has gained from her roles in the consumer sector. This includes her current appointment as Head of Investor Relations at GSK Consumer Healthcare. Sonya was previously Head of Investor Relations at Heineken and prior to her current role had provided investor relations and consultancy services as Clear Giraffe IR. Sonya's previous experience also includes senior roles with investment banks, including Barclays Capital, Goldman Sachs and Morgan Stanley. She qualified as an accountant with KPMG and holds a BAcc (Hons) in Accountancy and Economics.

Simon Embley, Non Executive Director

Simon was Non Executive Chair of the LSL Board from 1 January 2015 until 28 April 2021, when he stepped down from this role following his appointment as Chief Executive of Pivotal Growth Limited, which is a joint venture between LSL and Pollen Street Capital. Simon was previously Deputy Chair from 2014 to 2015 and Group Chief Executive Officer until 2014, a role which he held at the time of the management buyout of e.surv and Your Move from Aviva (formerly Norwich Union Life) in 2004. Simon has remained on the Board to enable the Group to continue to benefit from his knowledge and experience. He has significant experience in strategy, operations, financial and property services, and his other directorships include a small estate management company, Eveclo Holdings Limited (an IT business), Road to Health (a healthcare provider) and the role of Non Executive chair at Global Property Ventures, a market leading insurance-based tenant deposit company.

Company Secretary

Sapna B. FitzGerald, General Counsel and Company Secretary

Sapna qualified as a solicitor in 1998 and has been General Counsel and Company Secretary at LSL since 2004. Prior to the management buyout of Your Move and e.surv, Sapna was a member of Aviva Life Legal Services and had, since 2001, been part of the team that supported Your Move and e.surv Chartered Surveyors.

The Executive Committee

The Executive Committee at the date of this Report is:

David Stewart
Group Chief Executive Officer
Executive Director

Adam Castleton
Group Chief Financial Officer
Executive Director

Andy Deeks
Group Chief Strategy Officer
PDMR

David Akinluyi
Group Chief Operating Officer
PDMR

Jon Round
Group Financial Services Director
PDMR

Steve Goodall
Managing Director,
Surveying & Valuation
PDMR

Helen Buck
Executive Director
Estate Agency

John McConnell
Group HR Director

Sapna B. FitzGerald
General Counsel and
Company Secretary

The Strategic Report is approved by and signed on behalf of the Board of Directors

David Stewart
Group Chief Executive Officer
15 March 2022

Adam Castleton
Group Chief Financial Officer
15 March 2022

Directors’ Report (including Corporate Governance and Committee Reports)

In this section

Statement of Directors' Responsibilities in Relation to the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable UK law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the *Financial Statements* in accordance with *International Financial Reporting Standards (**IFRS**)* as adopted by the UK, in conformity with the *Companies Act 2006*. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

Under the *FCA's Disclosure Guidance and Transparency Rules,* the *Financial Statements* are required to be prepared in accordance with international accounting standards in conformity with the requirements of the *Companies Act 2006* and UK adopted *International Accounting Standards (**IAS**)*.

In preparing these *Financial Statements* the Directors are required to:

a. select suitable accounting policies in accordance with *IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors'* and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

d. provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;

e. in respect of the *Financial Statements*, state whether IFRS in conformity with the *Companies Act 2006* have been followed, subject to any material departures disclosed and explained in the *Financial Statements*;

f. in respect of the *Company Financial Statements*, state whether IFRS in conformity with the *Companies Act 2006* and UK adopted IAS, have been followed, subject to any material departures disclosed and explained in the *Financial Statements*; and

g. prepare the *Financial Statements* on the going concern basis unless it is appropriate to presume that the Company and/or the Group will not continue in business.

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

Under applicable law and regulations, the Directors are also responsible for preparing the *Strategic Report*, *Report of the Directors*, *Directors' Remuneration Report* and *Corporate Governance Report* that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Report of the Directors

Business review and development

The *Strategic Report* (including the *Chair's Statement,* the *Group Chief Executive's Report* and the *Financial and Divisional Reviews*) sets out a review of the Group's business, including details of our performance, developments and strategy during 2021.

Annual general meeting

Our AGM will be held at Hilton London Paddington, 146 Praed Street, London W2 1EE on 27 May 2022, starting at 12.15pm (doors will open at 12.00pm). The *Notice of Meeting* convening the AGM is in a separate circular to be sent to shareholders with this Report. The *Notice of Meeting* also includes a commentary on the business of the AGM and notes to help shareholders to attend, speak and/or vote at the AGM.

Financial results

The *Strategic Report* and *Financial Statements* set out our financial results in relation to 2021.

Dividend

Our policy is to pay out 30% of Group Underlying Operating Profit after finance and normalised tax charges. Having declared an interim dividend of 4.0 pence per share, the Board has recommended a final dividend of 7.4 pence. This, if approved by shareholders, would give a total dividend for the year of 11.4 pence per share, in line with the policy.

The ex-dividend date is 28 April 2022 with a record date of 29 April 2022 and a payment date of 6 June 2022. Shareholders can elect to reinvest their cash dividend and purchase existing shares in LSL through a dividend reinvestment plan. The election date is 12 May 2022.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the *Financial and Divisional Reviews* section (page 11) of the *Strategic Report*. The financial position of the Group, its cash-flows, liquidity position and policy for treasury and risk management are described in the *Financial Review* section of the *Strategic Report* (page 11). Details of the Group's borrowing facilities are set out in note 24 to the *Financial Statements*. Note 32 to the *Financial Statements* describes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. A description of the Group's principal risks and uncertainties and arrangements to manage these risks can be found in the *Principal Risks* and *Uncertainties* section of the *Strategic Report* on page 22.

As explained in note 32 to the *Financial Statements*, the Group meets its day to day working capital requirements through cash generated from operations, as well as utilising its revolving credit facility, which was arranged in March 2021. The Group currently has a £90m facility (December 2020: £100m) which is committed for a period up to May 2024. As stated in note 32 to the *Financial Statements*, as at 31 December 2021 the Group had available £90m of undrawn borrowing out of an available £90m, in respect of which all conditions precedent had been met. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the terms of its renewed facility.

The Directors have considered the future profitability of the Group, forecast of future cash-flows, banking covenants, liquidity of investments and joint ventures and the Group's ability to re-finance any loans due to mature in the next 12 months (including the Group's facility which is due to mature in May 2024) where necessary. Further, the Directors considered the key judgements, assumptions and estimates underpinning the review.

As part of this assessment, the Group has also considered the *FRC Thematic Review: Viability and Going Concern* (most recent guidance released September 2021) which has encouraged companies to assess the level of disclosure of qualitative and quantitative detail in scenario modelling, to consider disclosure relating to the resilience of the Group to identified risks, and in respect of the viability assessment, the length of the viability period.

In reaching its conclusion on the going concern assessment, the Board considered the findings of the work performed to support the Group's long term viability statement. As noted in the *Viability Statement* which is included in the *Principal Risks and Uncertainties* section of this Report and is set out on page 25, this included assessing forecasts of severe but plausible downside scenarios related to our principal risks, notably the extent to which a severe downturn in the UK housing market, close to the level seen during the financial crisis in 2008, would affect the Group's base forecasts.

After making enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the *going concern basis* in preparing this Report.

Financial instruments

The *Strategic Report* sets out our strategies and objectives relating to treasury and risk management. Details of the financial instruments are set out in note 32 to the *Financial Statements*.

Employee, suppliers, customers and other stakeholders

Please see the *Stakeholder Engagement Arrangements* section of this Report (page 19), which contains our disclosures pursuant to the *Companies Act 2006*. This is in addition to the details of our stakeholder considerations which can also be found in the *ESG Report* contained in this Report (page 27).

The Greenhouse Gas Emissions (Directors' Reports) Regulations 2013 and Part 7 of the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013

In accordance with Part 7 of the *Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013*, each year we report on targets and KPIs approved by the Board within the *Report of the Directors* (page 41). The 2021 results are included within the *ESG Report* section of this Report (page 27).

Directors

Details of the Directors who served during 2021 are in the *Corporate Governance Report* (page 45) and *The Board* (page 36) sections of this Report.

Re-election and election

Our policy is to have annual re-elections of our Directors and this policy is set out in the Nominations Committee's terms of reference. As a result, all the Directors will retire at the AGM and, being eligible, intend to stand for re-election.

Our articles provide that the Board may appoint an individual to act as a Director, but anyone so appointed will retire from office at the next AGM and seek election. Shareholders may by ordinary resolution elect or re-elect any individual as a Director.

During the 2021 annual evaluation of the Board and its Committees, the performance of the Directors who were members of the Board during 2021, was specifically evaluated, and the Board confirmed that it values the experience and commitment to the business demonstrated by each of these individuals.

Directors' interests

The interests of the Directors who are on the Board at the date of this Report are contained within the *Directors' Remuneration Report* (page 60). During the period between 31 December 2021 and the date of this Report, there were no changes in the Directors' interests, other than:

a. the purchases of shares by David Stewart (136 shares), Adam Castleton (136 shares) and Helen Buck (137 shares) as participants of LSL's SIP/BAYE scheme (these shares were purchased by the Trust at the prevailing market rate); and

b. the exercise of the 2012 LTIP award by Simon Embley (58,333 shares) (in January 2022).

During 2021, the Board maintained its arrangements for managing and recording conflicts, in line with its policy. This includes observing an anti-bribery and hospitality policy, to ensure compliance with section 176 of the *Companies Act 2006*.

Further, during the year, no Director was materially interested in any contract that is or was significant to the business of the Group or any subsidiary undertaking.

Directors' service contracts and letters of appointment relating to Directors who were members of the Board during 2021

Details of the Executive Directors' service agreements and the Non Executive Directors' letters of appointment (including any extensions to appointments) are set out in the *Directors' Remuneration Report* (page 60). The contracts and letters of appointment are available for inspection at the Registered Office during normal business hours and at each AGM.

Directors' qualifying third party indemnity provisions

We had qualifying third party indemnity provisions for the benefit of the Directors in force from the start of the financial period to the date of this Report, subject to the conditions set out in the *Companies Act 2006.* We have put in place Directors' and Officers' Liability insurance and indemnities to cover for this liability.

Compensation for loss of office – change of control

There are no agreements between LSL and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Auditor

Ernst & Young LLP, the Group's external auditor, has advised of its willingness to continue in office and a resolution to re-appoint it to this role and the authority for its remuneration to be determined by the Directors will be proposed at the 2022 AGM.

Details of LSL's policy to safeguard the external auditor's independence and objectivity are included in the *Audit & Risk Committee Report,* together with details of how the Audit & Risk Committee undertakes this assessment.

Share capital

The information below includes information we are required to disclose following the implementation of the *Takeover Directive* into UK law.

Our 0.2 pence ordinary shares are listed on the London Stock Exchange and are the only class of shares in issue. At 31 December 2021, our issued share capital comprised 105,158,950 0.2 pence ordinary shares. The authorised share capital is 500,000,000 ordinary shares of 0.2 pence each. Details of our share capital are also set out in note 27 to the *Financial Statements.*

Rights and obligations attached to shares

Each issued share has the same rights attached to it. The rights of each shareholder include:

a. the right to vote at general meetings;

b. to appoint a proxy or proxies;

c. to receive dividends; and

d. to receive circulars from LSL.

We will seek shareholder approval for the renewal of authority for the Directors to allot unissued shares and for the power to disapply statutory pre-emption rights at the 2022 AGM. We obtained shareholder approval to disapply pre-emption rights at the 2021 AGM.

Full details of the deadline for exercising voting rights in respect of the resolutions to be considered at the 2022 AGM are set out in the *Notice of Meeting*.

On a show of hands at a general meeting, every holder of ordinary shares present in person and entitled to vote shall have one vote and, on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share they hold. The *Notice of Meeting* which is published with this Report specifies deadlines for appointing a proxy in relation to resolutions to be passed at the AGM. Where the Chair of the AGM is appointed as proxy, such proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the AGM and published on our website after the meeting (*lslps.co.uk*).

There are no restrictions on the transfer of ordinary shares in LSL other than:

a. Certain restrictions which may from time to time apply under applicable laws and regulations (for example, insider trading laws and market requirements relating to closed periods).

b. Pursuant to the *Listing Rules* of the FCA/UKLA and our *Share Dealing Policy,* whereby certain employees require approval to deal in LSL's securities.

Our *Articles of Association* may only be amended by way of a special resolution at a general meeting of our shareholders. We have the authority under section 701 of the *Companies Act 2006* to make market purchases of our ordinary shares on such terms and in such manner that the Directors determine. The maximum shares we can buy back is capped at 10% of the issued ordinary share capital of the Group being 10,515,895 ordinary shares.

Employee share schemes

We have two employee benefit trusts. The first was established in 2006, prior to our flotation on the London Stock Exchange. We appointed Apex Financial Services (Trust Company) Limited (formerly Capita Trustees Limited) (ESOT Trustees) to operate the *LSL Property Services plc Employee Share Scheme* (ESOT). The ESOT is able to acquire and hold shares to satisfy options or awards granted under any discretionary share option scheme, long term incentive arrangement or Save As You Earn (SAYE) plan operated by us. Details of the shares acquired by the Trust are set out in note 14 to the *Financial Statements*. The ESOT trustees have waived the right to any dividend payment in respect of each share held by them (including future payments).

We also operate *The LSL Property Services plc Employee Share Incentive Plan* (BAYE) for our colleagues, which was established in 2007 and is administered by Link Market Services (Trustees) Limited (formerly Capita IRG Trustees Limited) (Link). Link is the trustee of the LSL Property Services Employee SIP Trust (Trust), in which shares are held on behalf of participants in the BAYE. The shares held in the Trust have dividend and voting rights in line with the rules of the BAYE. At 31 December 2021, the Trust held 0.89% (2020: 1.51%) of the issued share capital in trust for the benefit of employees of the Group and their dependents. The voting rights in relation to these shares are exercised by the Trustees.

Significant agreements – change of control

Subsidiaries of LSL are party to agreements which take effect, alter or terminate upon a change of control of the subsidiary company following a takeover bid. The majority of the income derived through the provision of Surveying & Valuation and the Asset Management income streams are driven by specific contracts. Any termination of such contracts on the change of control of the relevant subsidiary company will have a significant impact on those income streams.

The Group is party to a number of banking agreements, which upon a change of control of the Group are terminable by the bank and all outstanding amounts become immediately due.

Post-balance sheet events

In February 2022, LSL invested an additional £0.9m in its Pivotal Growth joint venture to fund its buy and build growth strategy.

Substantial shareholdings

At 31 December 2021 and as at 14 March 2022, the Shareholders set out below have notified LSL of their interest under DTR 5:

Institutional Shareholders:

		31 December 2021		14 March 2022	
Institution	Nature of shareholding	Number of ordinary shares	% of ordinary shares	Number of ordinary shares	% of ordinary shares
Kinney Asset Management, LLC	Beneficial	9,770,595	9.29	10,536,895	10.02
Setanta Asset Management Limited	Beneficial	6,288,162	5.98	6,288,162	5.98
SMF UK Management LLP	Beneficial	5,523,218	5.25	5,523,218	5.25
Liontrust Asset Management plc	Beneficial	5,485,475	5.22	5,485,475	5.22
FMR LLC	Beneficial	–	–	5,167,776	4.914
Harris L.P	Beneficial	5,220,081	4.96	5,220,081	4.96
Brandes Investment Partners L.P	Beneficial	5,172,615	4.92	5,172,615	4.92
FIL Limited	Beneficial	5,161,887	4.90	5,161,887	4.90
Franklin Templeton Institutional, LLC	Beneficial	3,211,900	3.05	3,211,900	3.05
Individual shareholders (excluding Directors):					
David Newnes	Registered	3,479,910	3.31	3,479,910	3.31

Directors' responsibility statement

The Directors who were each a member of the Board during 2021 confirm, to the best of their knowledge:

a. That the consolidated *Financial Statements,* prepared in accordance with international accounting standards in conformity with the requirements of the *Companies Act 2006* and UK adopted *International Accounting Standards,* give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company and undertakings included in the consolidation taken as a whole.

b. That this Report, including the *Strategic Report,* includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

c. That they consider this Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Disclosure of information to the auditor

Having made enquiries of fellow Directors and of the external auditor, each of the Directors who were members of the Board during 2021, have confirmed that:

a. To the best of his/her knowledge and belief, there is no information (as defined in the *Companies Act 2006*) relevant to the preparation of this Report of which the external auditor is unaware.

b. He/she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the external auditor is aware of that information.

The Report of the Directors has been approved by and is signed on behalf of the Board of Directors

Sapna B. FitzGerald

Company Secretary

15 March 2022

Corporate Governance Report including Nominations Committee Report

This section of the Report details our corporate governance arrangements. LSL has a premium listing on the London Stock Exchange. As a result, we are subject to the *UK Corporate Governance Code* (Code) together with the *Financial Conduct Authority's* (FCA) requirements. A copy of the Code can be obtained from *frc.org.uk*.

FRC Code and Guidance (comply or explain)

Our Board is committed to operating in accordance with the Code. At 31 December 2021, we complied with the Code in all respects, except for the following provisions:

1. Provision 11: *At least half the board, excluding the chair, should be Non Executive directors whom the board considers to be independent.*

At the year end, the Board comprised the Chair, three independent Non Executive Directors, one Non Executive Director who is not considered to be independent, and three Executive Directors. However, on 4 March 2022 we appointed Sonya Ghobrial as an independent Non Executive Director and our Board composition is now compliant with the Code.

2. Provision 23: *The annual report should describe the work of the nomination committee, including… the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives.*

To date, the Board has not adopted a formal policy in relation to its diversity. However, during 2021 the Board and Nominations Committee resolved to adopt a diversity policy for the Board, its Committees and the Group's Senior Management Team. An FCA consultation on diversity targets closed in October 2021 and we are now awaiting publication of the final targets. Once published, the Board intends to adopt the targets and publish its policy. See also *Board Diversity and Inclusion* below (page 51).

Board roles and responsibilities

The Board is responsible for establishing the Group's purpose, its overall management and for decisions on the strategy. It also monitors financial performance and formulates the Group's risk appetite framework (see the *Principal Risks and Uncertainties* section for more information) (page 22).

The *ESG Report* in this Report explains the Board's oversight of the Group's whistleblowing arrangements (page 27).

The Board's Committees

The Board has four Committees, whose terms of reference are available on our website: *lslps.co.uk*. Additional Committee meetings will be organised during the year in addition to the scheduled meetings as required:

Committee	Members	Frequency of scheduled meetings (per year)	Role
Nominations	Bill Shannon (Chair) Gaby Appleton Darrell Evans James Mack Sonya Ghobrial	3	• Lead the process for appointments to the Board. • Oversee succession plans for the Board and the Senior Management Team.
Remuneration	Darrell Evans (Chair) Bill Shannon Gaby Appleton James Mack Sonya Ghobrial	3	• Determine the policy for Executive Director remuneration and set the remuneration for the Board, Chair and the Senior Management Team. • Review workforce remuneration and related policies and alignment of incentives and rewards with culture, when setting executive remuneration policy. See the *Directors' Remuneration Report* for further details (page 60).
Audit & Risk	James Mack (Chair) Gaby Appleton Darrell Evans Sonya Ghobrial	3	• Oversight of audit, risk and internal control. See the *Audit & Risk Committee Report* (page 54) and the *Principal Risks and Uncertainties* section (page 22) for further details, including our internal controls and risk management arrangements.
Disclosure	Bill Shannon Gaby Appleton David Stewart Adam Castleton	As required	Ensuring compliance with UK Market Abuse Regulation (MAR) arrangements.

Executive Committee

We also have an Executive Committee, which is headed by David Stewart. This team comprises:

Name	Role	Other information
David Stewart	Group Chief Executive Officer	Executive Director
Adam Castleton	Group Chief Financial Officer	Executive Director
Helen Buck	Executive Director – Estate Agency	Executive Director
Jon Round	Group Director of Financial Services	PDMR
Steve Goodall	Managing Director – Surveying & Valuation	PDMR
Andy Deeks	Group Chief Strategy Officer	PDMR
David Akinluyi	Group Chief Operating Officer	PDMR
John McConnell	Group Human Resources Director	
Sapna B. FitzGerald	General Counsel and Company Secretary	

The Executive Committee includes two women and two persons of colour. For further details relating to the diversity of our colleagues, including the Senior Management Team, see the *ESG Report* (page 27).

Board composition

The Directors at 31 December 2021 and at 4 March 2022 are shown in the table below. Details of each Director are contained in *The Board* section. This also includes details of other directorships. The Board does not consider any of the Directors' other appointments to interfere with or compromise their appointment by LSL.

Since 4 March 2022, the Board includes three female Directors. The Board does not include any person of colour. See also *Board Diversity and Inclusion* below.

The Board includes skills and experience in the following areas:

a. Strategy.

b. Technology and digital services.

c. Operations.

d. Governance.

e. ESG.

f. Investor relations.

g. Risk and compliance.

h. Sales and marketing.

i. Finance.

j. Retail financial services and consumer services.

k. Residential and commercial property.

l. Entrepreneurship.

m. Employment and human resources.

The Directors identified as independent all meet the criteria set out in provision 10 of the Code.

All Directors will retire at the AGM and stand for election or re-election. Further details relating to the Directors' election will be included in the *Notice of Meeting*.

Director appointments

Each Executive Director has a service contract, and each Non Executive Director (including the Chair) has a letter of appointment. These documents are available for inspection at our Registered Office during normal business hours and at each AGM. Further details relating to the Directors' appointments are contained in the *Directors' Remuneration Report*.

Key roles

There is clear division of responsibilities between the key roles on the Board, details of which are set out on our website (*lslps.co.uk*) and are summarised below.

Role	Responsibilities summary
Chair	• Leadership of the Board, including setting its agenda and overseeing its decision making processes and arrangements. • Shaping the culture, style and tone of discussions and promoting openness and debate. • Leading regular Non Executive Director only meetings, to support the Board's discussions. • Overseeing our stakeholder engagement arrangements. • Supporting the Group Chief Executive Officer and other Directors, including ensuring appropriate training and induction arrangements are in place. • Leading our annual Board and Committee evaluation exercise.
Group Chief Executive Officer	• Running the business, using delegated powers set by the Board. • Proposing and delivering Group strategy. • Overseeing Group culture. • Supporting the Board's decision making by providing appropriate information.
Senior Independent Director	• Acting as a sounding board for the Chair. • Leading the evaluation of the Chair. • Providing an alternative point of contact for Directors and stakeholders (including shareholders).

Board and Committee meetings in 2021

Each year, we put in place a schedule of meetings for the Board and our Committees, which are supplemented by additional meetings as required. The Directors meet in person and virtually and the table below summarises the meetings for 2021 and each Director's attendance. Where a Director is not a member of a Committee, their attendance or non-attendance is not reported. We also schedule meetings for the Non Executive Directors to meet without the Executive Directors. The Audit & Risk Committee also meets the auditor without the Executive Directors.

Board Member	Attendance at Board meetings (including strategy meetings) *(total 17 held in the year)*	Attendance at Audit & Risk Committee meetings *(total 5 held in the year)*	Attendance at Remuneration Committee meetings *(total 6 held in the year)*	Attendance at Nominations Committee meetings *(total 6 held in the year)*	Attendance at Disclosure Committee Meetings *(none held in the year)*
Gaby Appleton	17	5	6	4[1]	
Helen Buck	17				
Adam Castleton	17				0
Simon Embley	17				
Darrell Evans	14[2]	5	6	6	
James Mack	4	1	1	0[3]	
Bill Shannon	17	4	5	6	0
David Stewart	17				0

Notes:

[1] Gaby missed two Nominations Committee meetings. She received the papers prior to each meeting and was able to provide feedback for other Directors to consider at the meeting.

[2] Darrell missed three Board meetings. He received the papers prior to each meeting and was able to provide feedback for the other Directors to consider at the meeting.

[3] James was appointed in September and the Nominations Committee did not meet following his appointment.

Board meeting and decision making arrangements

At the start of each year, we put in place a planner with a schedule of matters for discussion, which includes special business as well as standing items. The Board also has a *Matters Reserved for the Board* (MRB) policy, which identifies matters that require Board approval and matters that are delegated to the Group Chief Executive Officer and Group Chief Financial Officer for approval. It also includes a list of matters which the Board will receive for information. Each year, the Board will review its policy to ensure that remains appropriate.

At each meeting the Board will receive regular reports that cover the following:

a. *Group Chief Executive Officer's Report* – strategy and key project updates and commentary on the Group's performance.

b. *Group Chief Financial Officer's Report* – Group financial performance review and risks.

c. *Divisions Report* – each MD provides a report on their businesses which covers financial performance, risk and operational matters.

d. *Group Chief Strategy Officer's Report* – strategy and ESG updates.

e. *Group Chief Operating Officer's Report* – operational matters, including resilience.

f. *Group HR Director's Report* – colleague matters including staff turnover data.

g. Go*vernance Report* – legal and *Matters Reserved for the Board* policy reporting (being either information which is required to be given to the Board or proposals requiring Board approval).

h. *Shareholder Report* – report detailing changes to our investor register.

i. *Board Planner* – review of items scheduled for future meetings including setting the agenda for the next meeting.

The Board will also receive special business presentations, which could relate to a deep dive on a particular business area or relate to a new project or initiative.

The Directors, the Board and the Committees are all supported by the Company Secretary (Sapna B. FitzGerald), who is responsible for ensuring adherence to governance requirements and policies. This includes managing meeting arrangements and supporting Director induction and training. See also our s172 Statement which is included in the *Stakeholder Engagement* section of this Report (page 19).

Board decisions in 2021

Set out below is a summary of some of the key decisions which were taken by the Board during 2021, together with how they relate to our strategy and our key stakeholders:

Key topic	Link to strategy	Relevant stakeholder(s)
COVID-19: The Board considered the impact of COVID-19 on the Group's performance and operations including arrangements to manage the welfare of colleagues and customers.	The Board focused on ensuring the Group continued to operate during the pandemic. As we come out of the pandemic, the Board has explored new ways of working and the way in which we deliver our services.	• Colleagues • Customers • Suppliers
Operational Resilience: Development of the Group's risk management and operational resilience framework.		
Divestment of minority interests in LMS and TM Group.	These decisions provided the Group with capital and balance sheet flexibility to take advantage of opportunities to support our strategy. The divestments also simplified the Group structure.	• Shareholders • Colleagues
New £90m **revolving credit facility** which expires in 2024.		
Development and communication of the **Group Strategy**.	During the year the Board agreed a strategic road map with a focus on growth opportunities in Financial Services. It also made decisions on individual transactions which support the strategy.	• Shareholders • Colleagues • Customers • Suppliers
Acquisitions of financial services technology businesses – **Mortgage Gym Limited** and **Direct Life and Quote Holdings Limited**.		
Securing a contract with **The Property Franchise Group (TPFG)** for the provision of financial services.		
Investment in **Pivotal Growth** joint venture with Pollen Street Capital.		
ESG: The development of the Group's sustainability programme, including our *purpose, values and culture* and ensuring the alignment to our strategy.	Focus on the development of our *Living Responsibly Strategy.*	• Shareholders • Colleagues • Customers
Development of **stakeholder communication** arrangements.	The Board has sought to improve its communications with stakeholders, especially investors and colleagues.	• Shareholders • Colleagues
Review of **governance** arrangements.	There has been focus during the year on improving Board reporting arrangements, including identifying ways in which information can be improved to support decision making.	• Shareholders • Colleagues • Customers • Suppliers

COVID-19 impact

During 2021, we continued to operate hybrid ways of working in response to the pandemic. Where meetings in person were possible these took place and our AGM returned to normal arrangements, having been a closed meeting in 2020.

Shareholders also approved the adoption of new *Articles of Association* at the 2021 AGM. The updated articles allow us to conduct hybrid general meetings. Wholly virtual meetings are not permitted. In the event that we hold a hybrid meeting, we will ensure compliance with the *Code of Best Practice* produced by the GC100, to ensure that the meeting facilitates shareholder engagement and Board scrutiny. For further information regarding how we engage with our shareholders, see the *Stakeholder Engagement* section (page 19).

Directors' conflicts

We have arrangements to manage any conflict of interest that may arise in relation to a Director. We maintain a register of Directors' interests and ensure that where a conflict is declared, the Director is either excluded from discussions or obtains the Board's approval to participate. Notwithstanding this, no Director is permitted to participate in any decision relating to their appointment, including their remuneration.

Director induction and training

We have an induction plan which is tailored for each Director when they join, and one was put in place in September for James Mack. His induction plan included the supply of previous meeting papers, and meetings with members of the Board and the Executive Committee, our corporate brokers and our internal and external auditors. An induction plan for Sonya Ghobrial is being put together. For existing Directors, training is arranged as required.

Board and Committee evaluation

Each year the Directors review the Board and the Committees. Gaby Appleton led the process for 2021, supported by the Company Secretary. The intention had been to engage an external provider to support the process. However, taking into account the changes which took place during the year, the Directors who were on the Board in 2021 decided that it would be beneficial to defer an externally facilitated evaluation to 2022. This will allow everyone to settle into their new roles ahead of the exercise. This year therefore followed the format of previous years, using a questionnaire covering the following areas.

a. Composition, succession and evaluation.

b. Leadership and division of responsibilities.

c. Meeting processes.

d. Evaluation processes.

e. ESG and corporate sustainability (including *purpose, values* and *culture*).

f. Additional comments.

The questionnaire was supplemented by one-to-one calls between each Director and Gaby. The responses were then anonymised, consolidated and shared with the Board ahead of a scheduled discussion. Sonya Ghobrial was not involved in the exercise as she was appointed after the exercise had been completed.

Actions in response to the 2020 evaluation exercise:

As part of the Board's year end review, the Directors also reviewed the completion of actions identified during the previous year and confirmed that the actions were either completed or deferred for completion in 2022.

These included:

a. A review of meeting arrangements and Board reporting, which led to the adoption of arrangements to hold hybrid meetings and the use of electronic packs for meeting papers.

b. A focus on succession planning for the Board and Senior Management Team to address gaps in diversity and in skills and experiences linked to technology and financial services. This resulted in the appointment of two additional independent Non Executive Directors and recruitment into the Senior Management Team. We also appointed Gaby as Senior Independent Director.

c. As stated above, we deferred the decision to undertake an externally facilitated evaluation exercise in 2021 and this is expected to take place in 2022.

d. Development of the Group's ESG programme, which resulted in the *Living Responsibly Strategy,* which is contained in our *Living Responsibly Report* and the *ESG* section of this Report (page 27).

2021 evaluation exercise:

The 2021 evaluation concluded that each Director, the Board and its Committees had all been effective in discharging their responsibilities. Noting their desire for continual improvement, the Directors agreed to progress the following in 2022:

a. Continuing to prioritise succession planning. This included recruiting an additional Non Executive Director in 2022 and, through that recruitment, taking steps to improve the Board's diversity (especially gender, colour, expertise and sector). This resulted in the appointment of Sonya Ghobrial on 4 March 2022. 2022 succession planning will include all key roles and involve putting in place appropriate development plans for individuals.

b. Ensuring that each Committee provides sufficiently detailed reports on their discussions to the Board, so that all Directors are briefed on the Committees' work.

c. Undertaking an externally facilitated evaluation in respect of 2022 and consider including feedback from our brokers and our auditor.

d. Making continual improvements to our Board reporting and evaluation arrangements, including KPIs, management information and Board papers; and ensuring that Board meeting time is prioritised to the most important issues. The Board will consider alternating the focus within meetings between special projects updates and divisional deep dives.

e. Further developing the Group's ESG strategy and *Living Responsibly* programme.

The evaluation exercise also considered the Board's composition. This formed a useful part of the Board's succession planning review, as it provided an opportunity to review skills, assess composition and agree plans for filling any gaps in skills and diversity. Further details relating to succession planning, diversity and recruitment are set out below, within the *Nominations Committee Report*.

Nominations Committee Report

During 2021, the Nominations Committee was chaired by Bill Shannon and its other members were Gaby Appleton, Darrell Evans and James Mack (from September 2021). Since 4 March 2022, Sonya Ghobrial has been a member.

2021 highlights

The Nominations Committee met six times in 2021 and its discussions and decisions included:

a. Extension of Simon Embley's term as a Non Executive Director until 31 December 2024.

b. Changes to Board and Committee roles:

    i. Simon stepping down from the roles of Chair of the Board and Nominations Committee.

    ii. Appointment of Bill Shannon as Chair of the Board and Nominations Committee.

    iii. Bill stepping down as Chair of the Remuneration Committee and remaining a member of this Committee.

    iv. Appointment of Darrell Evans as Chair of the Remuneration Committee.

    v. Bill stepping down as Chair of the Audit & Risk Committee and leaving the Committee.

    vi. James Mack being appointed as Chair of the Audit & Risk Committee.

    vii. Appointment of Gaby Appleton as Senior Independent Director.

c. Executive and senior management succession planning.

d. Review of Non Executive Director skills, experiences, expertise, diversity and recruitment.

e. The Group's diversity and inclusion projects and consideration of the FCA consultation on the diversity of listed company boards, committees and senior management teams. The Committee also discussed the adoption of a Board and Senior Management diversity policy. See below for further details.

We received search and recruitment services from Odgers Berndtson and Nurole in 2021 and neither company has any other connection with the Group. Further details on our Non Executive Director searches are set out below.

Non Executive Director recruitment

We worked with Odgers Berndtson to identify an independent Non Executive Director to succeed as Chair of the Audit & Risk Committee, which resulted in the appointment of James Mack. The aim of our search was to ensure that the Nominations Committee was presented with a diverse longlist, from which it could make its selection. Odgers Berndtson presented the Nominations Committee with the longlist from which a shortlist of appointable candidates was selected for interview by Board members. James's experiences in retail financial services significantly added to the continuing development of the Group's Financial Services strategy. It also addressed our succession planning for the Board, as James took on the role of Chair of the Audit & Risk Committee and he was determined to have the relevant financial experience to Chair this Committee.

We have also recently appointed Sonya Ghobrial as an independent Non Executive Director. This appointment followed a search which began in 2021 and involved the services of *Nurole*, a director search consultancy. In our search, we were clear that we were committed to improving the Board's diversity (including gender, ethnicity and expertise) and this was a very important consideration for the Board and the Nominations Committee in 2021. Sonya's appointment on 4 March 2022 has improved our gender diversity and she also brings highly relevant experience, which adds to the continuing development of the Group's strategy. In particular, her experience in ESG matters will support us in the development and communication of our *Living Responsibly Strategy*.

Neither Odgers Berndtson nor Nurole has any connection to the Group, other than the provision of these services.

Board diversity and inclusion

The Nominations Committee and the Board received presentations on the Group's initiatives to promote diversity and inclusion and details of these initiatives in relation to colleagues are included in the *ESG Report* (page 27) in this Report.

In relation to the diversity of the Board, its Committees and our Senior Management Team (including the Executive Committee), we have considered the adoption of a diversity policy and are currently waiting for the FCA to publish its final targets before adopting this policy.

Our intention is to adopt the FCA's proposed targets, which were outlined in the consultation that it published in July and closed in October 2021. The FCA has stated that it intends to change the *Listing Rules* to require companies to set targets and to disclose their diversity annually. While we await publication of the final requirements, we will prioritise diversity and inclusion initiatives in our recruitment. Once the Board has adopted its targets, the Nominations Committee and Board will receive regular information and reports to enable them to monitor adherence to the targets and assess whether the targets are the right ones for our Group, considering factors such as role and location.

The FCA's consultation also proposed the inclusion of data in company reporting which is set out below and related to the Board and Executive Committee since 4 March 2022:

Table 1

Gender	Number of Board members	% of Board	Number of senior positions on the Board[1]	Number in Executive Committee	% of Executive Committee
Men (including those self-identifying as men)	6	66	3	7	78
Women (including those self-identifying as women)	3	34	1	2	22
Non-binary	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Table 2

ONS ethnicity category	Number of Board members	% of Board	Number of senior positions on the Board[1]	Number in Executive Committee	% of Executive Committee
White British or White Other	9	100	4	7	78
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	1	11
Black/African/Caribbean/Black British	–	–	–	1	11
Other Ethnic Group	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Note:
[1] Senior positions refers to the roles of Chair, Group Chief Executive Officer, Group Chief Financial Officer, or Senior Independent Director.

In relation to our recruitment activities, the Nominations Committee is focused on ensuring the inclusion of women and individuals of colour in Board and Executive Committee related searches. We have ensured that any recruitment or search agencies we have engaged are given explicit instructions about the importance of identifying and putting forward female and ethnic candidates.

Whilst we believe that all appointments should be on merit, we recognise the imbalance that exists and the role that we can play in improving diversity and inclusion. We also recognise the benefits that diversity has on decision making and on the Group's performance.

Further details relating to diversity matters are included in the *ESG Report* in this Report (page 27), including our reporting on gender pay and gender and ethnic diversity in our Senior Management Team and the wider workforce. The *Living Responsibly Report*, which is published at the same time as this Report and available on our website (*lslps.co.uk*), also contains details on some of our diversity and inclusion initiatives.

Culture

The Board is mindful that it has the ultimate responsibility for our *culture*. The right culture provides the foundation to drive purpose and the delivery of strategy, and therefore plays a key role in our long term success.

The Board has a range of mechanisms for monitoring our *culture,* including:

a. Monitoring employee engagement, as part of the Board engagement programme:
    i. Results of the annual employee survey and regular pulse surveys are reported to the Board.
    ii. The updated *Speak Up Policy* has been approved by the Board.
    iii. Bill Shannon attended and presented at the Group's Senior Management Conference.
    iv. Darrell Evans (Designated Non Executive Director for Workforce Engagement) attends bi-annual meetings with the *Employee Engagement Forum*.
    v. Group HR arrangements introduced to enhance colleague engagement and communications.
b. Regularly reviewing our colleague diversity, equality and inclusion projects.
c. Conducting a deep dive on our people strategy, including metrics on colleague attrition, talent and succession for Senior Managers, presented by the Group HR Director.
d. Monitoring senior leadership capability, development and succession through the Nominations Committee.
e. Overseeing progress against Senior Managers' non-financial measures, which form part of the annual bonus plan.
f. Regular updates on and annual reviews of our core Group compliance policies.

Share Dealing Code and Disclosure Committee

The Board has delegated responsibilities to a Disclosure Committee, which supports our compliance with the disclosure and control of inside information obligations. Notwithstanding this, the Board remains responsible for our compliance with all regulatory disclosure obligations and the Disclosure Committee refers matters to the Board as it sees fit. The Disclosure Committee did not meet during 2021.

We also have in place a *Share Dealing Policy* and *Share Dealing Code,* to ensure compliance with market abuse and insider dealing legislation. The *Share Dealing Policy* and *Share Dealing Code* apply to our Directors, our PDMRs (all listed above) and other relevant employees of LSL.

Subsidiary governance

Day to day management of the Group's subsidiary companies is delegated to the respective Divisional Management committees and to the boards of the subsidiary companies. During the year we undertook a review of subsidiary governance including a review of our subsidiary boards and have revised and re-issued our guidance to subsidiary directors. We will be issuing increased training to our subsidiary directors during 2022.

Colleague matters

Gender pay reporting

We published our gender pay reports for all Group companies with more than 250 employees in April 2021 and further reporting will be published in 2022. The 2021 report is available to view at *gender-pay-gap.service.gov.uk* and it will be available during the year.

Other pay reporting

We are continuing to monitor the Government's reviews in relation to ethnic pay reporting and looking at what steps would need to be taken to ensure compliance with any proposed future reporting.

Whistleblowing, fraud and anti-bribery arrangements

Pursuant to our *Matters Reserved for the Board Policy,* the Board oversees our whistleblowing arrangements, and the Audit & Risk Committee receives reports on fraud and anti-bribery matters, including those reported through the Group's whistleblowing procedures. The Audit & Risk Committee also receives reports on any matters which relate to our internal controls and risk management arrangements, including those relating to any incidents of fraud or bribery and further details are included in the *Audit & Risk Committee Report* (page 54) and the *Principal Risks and Uncertainties* (page 22) sections of this Report.

The *ESG Report* in this Report (page 27) includes details of our whistleblowing arrangements alongside other colleague policies included within the governance workstream of our ESG programme.

The Corporate Governance Report is approved by and signed on behalf of the Board of Directors

Sapna B. FitzGerald
Company Secretary
15 March 2022

Audit & Risk Committee Report

Dear Shareholder

As Chair of this Committee, I am pleased to present our report for the year ended 31 December 2021.

I took over from Bill as Chair of the Committee on 27 September 2021, at which point Bill, who had been appointed Chair of the Board earlier in the year, ceased to be a member of this Committee. The other Committee members during 2021 were Darrell and Gaby. Since 4 March 2022, Sonya has also joined the Committee.

I would like to thank Bill for his leadership and everyone who served on our Committee during the year for their support and the active role they played.

In this section of the Report, we detail how the Committee discharged its roles and responsibilities during 2021, provide highlights from the year and set out our priorities for 2022.

In 2021, we took some important steps to strengthen our governance roles across the Group and increased our emphasis on developing the ownership, transparency and evolution of underlying risk frameworks. Much progress was made, and associated risks were managed effectively, against the backdrop of the pandemic. We will maintain our balanced approach going forward and remain cautious for matters involving regulatory compliance.

I will be available at the 2022 AGM, along with my fellow Directors, to answer shareholders' questions relating to the Audit & Risk Committee and how we discharged our roles and responsibilities during 2021.

James Mack
Chair of the Audit & Risk Committee

15 March 2022

Audit & Risk Committee

The Audit & Risk Committee discharges governance responsibilities in respect of audit, risk and internal controls and reports to the Board on the results of its work. Details of the Committee's roles and responsibilities is set out in its terms of reference which is available at *lslps.co.uk*.

The Committee

All of the current members of the Audit & Risk Committee are independent Non Executive Directors. James Mack replaced Bill Shannon as Chair of the Committee on 27 September 2021. Since 4 March 2022, the Committee also includes Sonya Ghobrial. The Committee has also determined that James has the relevant financial experience to Chair this Committee.

In addition to the Committee meetings, the Committee also met regularly with both the external and internal auditors, independently of the Executive Directors. Details of the attendance by members of the Committee in 2021 is detailed in the *Corporate Governance Report* of this Report (page 45).

2021 highlights

The Committee met five times in 2021 and its key activities included the following:

a. Providing assurance to the Board on whether this Report, taken as a whole, is fair, balanced and understandable.

b. Reviewing papers supporting significant judgements made within the *Financial Statements* of this Report, such as goodwill and revenue recognition.

c. Considering the effectiveness of the wider control environment and underlying financial reporting systems.

d. Assessing the measures taken to ensure the Group maintained sufficient liquidity within its capital structure, together with the stress tests and financial modelling assumptions used to conclude on the Group's *Going Concern Statement* and *Viability Statement* (see also pages 25 to 26 of *Principal Risks and Uncertainties*).

e. Approving the annual Internal Audit plan and considering the results of an extensive range of related thematic assurance reviews, a cycle that includes the linkage of Internal Audit results with the bonus-based remuneration of the Senior Management Team. Focus areas included health and safety topics, fees/payment routines and the resilience of core business systems.

f. Reviewing the remit, reach and effectiveness of Divisional risk and compliance oversight routines, as part of responses to a set of internal challenges raised by the Group Chief Executive Officer.

g. Reviewing the strengthening of risk-related roles across the Financial Services Division, including appointing a new Chief Risk Officer and appointing the Group Chief Operating Officer as Chair of the Financial Services Oversight Committee.

h. Overseeing Group risk appetite themes, including ensuring a cautious approach is adopted for any weaknesses in health and safety or sales conduct arrangements.

i. Reviewing steps being taken to strengthen governance routines supporting our technology infrastructure, including the rollout of new policy standards, appointing the Group Chief Operating Officer as Chair of the Data and Information Security Committee and investment in specialist second line resource.

j. Considering monitoring routines for tracking fraud suspicions.

Committee work in 2021

During 2021, we focused on a range of issues and accounting judgements relating to the Financial Statements. We also oversaw the external and internal audit functions, as well as reviewing the Group's risk management and internal control systems and procedures. The table below summarises our activities in the year.

Area	Key responsibilities	Activities during 2021
Financial reporting	• Provide assurance to the Board on whether the *Annual Report and Accounts,* taken as a whole, is fair, balanced and understandable. • Review significant judgements and assumptions made within the *Financial Statements* including valuation of goodwill and appropriateness of revenue recognition. • Ensure clarity of disclosures and compliance with the *Listing Rules* and other regulatory requirements. • Provide assurance to support the long term *Viability Statement* and the procedures for evaluating the *Going Concern* assessment. • Ensure the integrity of formal announcements relating to the Group's financial performance, including the half year and full year *Financial Statements*.	• Examined the integrity of the full year and half year *Financial Statements* and recommended their approval to the Board. • Assessed the appropriateness of key accounting policies and practices, judgements, estimates and compliance with accounting standards and tax requirements, including recent developments. In particular, considered the appropriateness of revenue recognition, including lapse provisions and the carrying value of goodwill in relation to the Estate Agency business. • Reviewed Management's calculations and assumptions applied in the annual goodwill impairment test. This concluded that no impairment was necessary to goodwill at 31 December 2021. • Considered the findings of financial audits completed by the Internal Audit team, as part of its assurance plan. • Considered whether a reasonably possible change to assumptions in the impairment test would result in a material impairment and therefore require sensitivity disclosure in the *Financial Statements*, including a sensitivity disclosure for Marsh & Parsons in relation to a reasonably possible change in either the budget/three year plan or the discount rate applied. • Reviewed Management's application of revenue recognition policies and continued monitoring of compliance with financial reporting and accounting controls linked to revenue recognition. During the year there have been no changes to the Group's revenue recognition practices. • Reviewed Management's estimates of the lapse provisions and considered the risk that revenue is recognised in the wrong period, either due to cut-off errors, management bias and/or estimation uncertainty. • Reviewed the *Viability Statement* and *Going Concern* assessment and their supporting material and advised the Board that the Group is able to continue in operation and meet its liabilities as they fall due for at least the next 12 months. • Assessed the Group's capital structure and dividend policy. • Reviewed ESG disclosures including the Group's climate change and inclusion and diversity objectives for inclusion in this Report. • Provided continuing assurance to the Board about the maintenance of appropriate financial control systems and procedures, throughout further cycles of the pandemic.

Area	Key responsibilities	Activities during 2021
Risk management	• Review the effectiveness of the Group's risk management framework, governance arrangements and procedures. • Advise the Board on current and emerging risks.	• Annual review and recommendation of the Audit & Risk Committee's terms of reference, Group risk framework policy and related Group governance committee structures. • Reviewed the operation of our *'three lines of defence'* risk management structure. • Regularly reviewed the Group's principal risks and uncertainties, including underlying Divisional risk routines and emerging risk areas. • Focused on the effectiveness of Divisional routines to define, identify and respond to areas outside risk tolerance, including their interaction with Group standards and appetite. • Promoted a culture which is designed to ensure regulatory compliance, stakeholder safety and *'speaking-up'* on any concerns.
Internal control	• Review the internal control environment, to ensure that processes are effectively designed to reduce risk and the likelihood of material error or fraud. • Consider the operation and effectiveness of the Group's internal control systems, covering financial, operational and compliance controls.	• Reviewed the Group's risk management framework and governance committee structures – see above. • Considered outputs from the Divisional *'three lines of defence'* oversight and compliance routines. • Reviewed control environment assessments prepared by Group Finance and the Divisional risk and compliance leads. • Evaluated control benchmarks and compliance performance versus defined policy and procedural standards. • Monitored the effectiveness of internal and external auditing processes and themes arising from their outputs.

Area	Key responsibilities	Activities during 2021
External audit	• Make recommendations to the Board on the appointment, reappointment, and removal of the external auditor. • Assess the independence, objectivity and effectiveness of the external auditor. • Approve the external auditor's fees. • Agree the scope of the audit with the Group's external auditor. • Review the external auditor's findings and its key focus areas.	• Ensured Ernst & Young has adequate processes to maintain independence, including regular rotation of the audit partner. Mark Morritt has retired as audit partner by rotation following the end of the 31 December 2021 audit and has been replaced by Jenn Hazlehurst for the 31 December 2022 audit. • Annual review and recommendation of the *Auditor Independence Policy*. • Reviewed the materiality and effectiveness of planning, including relevant risk-based focus areas and the changing profile of profit contributions across relevant entities. • Evaluated the audit findings, including resolution of any issues and feedback on the quality of interactions with relevant Divisional senior management. • Considered fee levels, including for non-audit services, which amounted to £48,000 for the provision of a comfort letter for the Pivotal Growth joint venture arrangement. This was not considered to compromise the objectivity and rigour of audit work undertaken by Ernst & Young. • Reviewed the effectiveness of the external audit process, taking into consideration applicable UK professional and regulatory requirements, independence considerations and feedback from Divisional senior management. • Our conclusions on effectiveness and independence supported our recommendation to reappoint Ernst & Young as external auditor at the 2022 AGM. As Ernst & Young's audit tenure began in 2004 and cannot exceed 20 years, a new external auditor will be appointed prior to the end of 2024. The last audit tender took place in 2016.
Internal audit	• Assess the scope of the Internal Audit plan, the effectiveness of its delivery and any resourcing implications. • Ensure the Internal Audit function has open lines of communication and access to records. • Review themes arising from Internal Audit outputs, including resolution of issues and emergent areas.	• Approved the audit plan and supporting papers, including the wider three year assurance cycle and *Internal Audit Charter* which covers our Internal Audit team. • Reviewed a benchmarking exercise supporting the effective operation of the function during the year. • Removed 'risk' from the Internal Audit team's title, to emphasise the function's independent assurance role, and supported changes in reporting style to promote fact-based findings. • Tracked the completion of agreed Internal Audit actions. • Reported themes and resultant Group-level recommendations to each Committee meeting.
Other key matters	• Evaluation of the effectiveness of the Committee. • Monitor fraud-related suspicions.	• As part of the annual Board and Committee evaluation process, the Directors evaluated the Committee's effectiveness and confirmed it is effective. This included confirming that the skills and expertise of our members are appropriate and that the Chair has the necessary financial experience. • Tracked fraud-related suspicions across the Group and logged investigations, conclusions and remedies.

Priorities for 2022

Our focus areas for 2022 include the following:

a. Monitoring emerging areas affecting the Group's risk profile, including changes in the regulatory environment and clearly defining our risk appetite.

b. Promoting ownership and alignment of robust risk management routines across all of our businesses and lines of defence, including reviewing progress with Divisional assessments evaluated at the end of 2021.

c. Mapping of risk profiles across the Group, including focus on any risk categories not fully captured within existing Divisional routines.

d. Continuing our cultural emphasis on encouraging colleagues and other key stakeholders to 'speak up' about any issues or concerns.

e. Developing escalation and attestation routines from underlying committee structures on risk and control matters.

f. Assessing and improving robust and resilient cyber security controls. This will involve feedback from the technology assurance routines driven by relevant governance forums and oversight functions.

g. Reviewing the delivery and effectiveness of external audit processes under the new audit partner.

h. Reviewing Internal Audit engagements covering the effectiveness of strategy execution, change management, technology risk and second line oversight routines.

The Audit & Risk Committee Report is approved by and signed on behalf of the Board

James Mack
Chair of the Audit & Risk Committee

15 March 2022

Directors’ Remuneration Report

Annual Statement

Dear Shareholder

This is my first year as Remuneration Committee Chair and I am pleased to present the *Directors’ Remuneration Report* for 2021. I would like to thank Bill for chairing the Committee prior to my appointment in April 2021. As a Committee, we will be reviewing our *Directors’ Remuneration Policy* in the coming year, before presenting this to shareholders for approval at the 2023 AGM. Ahead of this, I look forward to engaging with both our shareholders and colleagues as part of this review process.

The *Directors’ Remuneration Report* is divided into the following sections:

- Annual Statement: summarising remuneration for 2021, explaining major decisions made during the year and the operation of the *Directors’ Remuneration Policy* for 2022;
- Directors’ Remuneration Policy (***Policy***): sets out the *Policy* approved by shareholders at the 2020 AGM; and
- Annual Report on Remuneration: sets out details of the remuneration earned by Directors in 2021 and how the *Policy* will be implemented during 2022.

The *Policy* was approved by 97.1% of shareholders voting at the 2020 AGM. The Remuneration Committee considers that the *Policy* continues to support the Group’s strategy and we are not proposing any changes for 2022.

The *Annual Statement* and the *Annual Report on Remuneration* are subject to a combined shareholder advisory vote, which we will present for approval at the forthcoming 2022 AGM. For further details, see the *AGM Notice*.

Summary of our performance in the year and decisions taken in response to COVID-19

Against the backdrop of an uncertain housing market at the beginning of the year, impacted by the ongoing COVID-19 pandemic, our performance has been very positive and significantly ahead of prior year, with record Group Underlying Operating Profit. This financial performance is reflected in the underlying remuneration outcomes for the year.

As detailed in last year’s *Annual Report and Accounts,* we undertook a number of cost saving measures during 2020, as a result of the pandemic. These included suspending the annual pay review, deferring LTIP awards and not paying bonuses to Executive Directors for 2020. These decisions were taken in light of wider stakeholder considerations and shareholder expectations, including the use of Government support and the decision to suspend the full year dividend in 2019 and both the interim and full year dividends in 2020.

I am pleased to report that in 2021 business performance has improved substantially, and it is our intention to resume dividend payments, subject to shareholder approval. All employees were returned from furlough by April 2021 and for the small number of staff who were on furlough during the first few months of 2021, we have repaid the funds claimed in full to HMRC.

Key decisions taken by the Committee during 2021

In light of the updated guidance from the FRC released in early 2021 the Committee reviewed its post-employment shareholding policy. As a result, we have strengthened this policy by requiring Executive Directors to hold for two years the lower of 150% of salary in shares (200% for the Group Chief Executive Officer) and actual shares held on cessation of employment. This is in addition to the previous policy, which required the continuation of the annual bonus and LTIP holding periods post-cessation of employment. Details of the full shareholding policy can be found later in this Report. The Directors have voluntarily agreed to this updated policy and it will be incorporated into our proposed *Policy,* to be submitted for shareholder approval at our 2023 AGM.

During 2021, we appointed a number of individuals to further strengthen our Executive Committee and Senior Management Team. The Committee was actively involved in determining the remuneration packages for all these individuals. We also reviewed and redefined the Senior Management Team, to determine which roles are subject to review by this Committee.

The Remuneration Committee is keen to understand the views of the wider workforce with respect to executive remuneration and I was pleased to attend a meeting with our *Employee Engagement Forum* during the year, as part of this process. The forum’s views were sought on a range of executive remuneration matters and we discussed the alignment of executive remuneration to the remuneration policy for the wider workforce. The forum’s feedback was provided to the Committee by the Group HR Director and myself in December 2021. The feedback has helped inform and guide the Committee’s thinking, particularly with respect to appropriate non-financial measures for 2022 and the all-employee share plan awards for the coming year.

Finally, the Committee reviewed and discussed the Executive Directors and Senior Management Team’s progress against the non-financial bonus metrics throughout the year.

Incentive outcomes for 2021

The bonus scheme in 2021 was based 70% on Group Underlying Operating Profit and 30% on individually agreed non-financial measures, with the Executive Directors’ maximum bonus opportunity being 100% of basic salary. The 2021 annual bonus outcomes for the Executive

Directors reflect strong performance against the financial performance targets, as well as the successful delivery of a number of strategic initiatives.

Based on our financial and operational performance in 2021, the Executive Directors each earned an annual bonus award of 70% of basic salary in respect of the financial performance element of the bonus scheme, reflecting performance against Group and (in relation to Helen Buck) Estate Agency Division measures, and between 12.6% and 14.7% of basic salary for performance against their individual non-financial measures. These non-financial measures have been important in driving forward and delivering strategic initiatives during the year. This results in 2021 bonus outcomes of 84.7% of salary for the Group Chief Executive Officer, 84.4% of salary for the Group Chief Financial Officer and 82.6% for the Executive Director – Estate Agency.

The Committee reviewed the profit performance against the targets set, noting the very difficult outlook at the start of the year given the ongoing impact from the pandemic, as well as matters that had contributed to the overall strengthening of the housing market, such as the prolonged reduction in Stamp Duty. We concluded that notwithstanding these factors, performance had been very strong and far exceeded the maximum targets. We therefore concluded that the bonus payment was appropriate and there were no circumstances that required scaling back the formulaic outcome.

The three year performance period for the 2019 LTIP ended on 31 December 2021. Both the EPS and total shareholder return (**TSR**) targets were partially achieved, resulting in 91.6% of the maximum award vesting in March 2022.

The Committee reviewed the incentive outturns and we concluded that they reflected the strong business performance and shareholder returns over the same period. We also considered the wider stakeholder experience, noting dividends had resumed, that the workforce has received relatively high levels of commission or bonus and that all employees had returned to work from furlough, with any funds claimed in 2021 fully repaid to HMRC. We were therefore comfortable that we did not need to exercise any discretion to adjust the formulaic outcome of the 2021 incentives and that the outcomes are appropriate. We also considered whether there were any relevant ESG matters that we needed to take account of when reviewing the remuneration outcomes and concluded that there were no such factors that needed to be taken into account. The Committee is also comfortable that the *Policy* has operated as intended and that no changes are required as a result of the review of its operation in 2021.

Further details of performance against the targets for the annual bonus and LTIP awards are set out in the *Annual Report on Remuneration* (page 60).

Implementation of *Policy* for 2022

The Executive Directors will receive salary increases of 2%, rounded to the nearest £250, this increase is in line with the average pay award for senior and middle management roles and less than the average pay award for more junior roles within our Group; who will receive more substantial increases. The Non Executive Directors will also receive fee increases of 2%, rounded to the nearest £250.

The annual bonus will be subject to the same performance conditions as last year, namely 70% based on Group Underlying Operating Profit and 30% based on non-financial measures, which include ESG targets which focus upon improvements in gender and diversity of the Senior Management Team and meeting our *Living Responsibly* targets. The Committee has considered the slightly higher weighting given to non-financial measures, which was put in place last year, and determined that this remains appropriate, as it emphasises the importance of key strategic objectives as a driver of further profitability and growth.

In relation to the LTIP awards for 2022, the Committee will make awards at the normal award level of 125% of salary to the Executive Directors. The 2022 LTIP awards will continue to be based 50% on EPS and 50% on TSR, in line with the 2021 grants. TSR performance will continue to be measured relative to the FTSE Small Cap Index and the EPS targets have been set to ensure they are as stretching as previous years, taking into account both the business and market outlook. Details of these targets can be found in the latter section of this Report.

Conclusion

The Committee believes that the remuneration arrangements for the Executive Directors and Senior Management Team are aligned to our strategic goals and incorporate the Group's key performance indicators. We are comfortable that the remuneration outcomes for 2021 are aligned to performance, that the *Policy* continues to promote our long term success and incentivises the delivery of strong and sustainable financial results, with the creation of shareholder value. We have also reviewed the implementation of *Policy* for 2022, to ensure it is aligned with our *purpose*, *culture* and *values*.

Accordingly, the Committee seeks the support of shareholders for the resolution to approve our remuneration arrangements at the 2022 AGM. If shareholders have any questions or observations, then I will be pleased to hear from you directly and will be available at the 2022 AGM, along with my fellow Directors. I can also be contacted via the Company Secretary's office (please see details on page 171).

Darrell Evans

Chair of the Remuneration Committee

15 March 2022

Directors' Remuneration Policy (*Policy*)

Introduction and overview

This part of the *Directors' Remuneration Report* sets out the remuneration policy for the Directors and has been prepared in accordance with *The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Companies (Miscellaneous Reporting) Regulations 2018* (***Regulations***).

The *Policy* was approved by shareholders at our AGM on 30 June 2020 and applies for three years from that date, unless shareholder approval is sought for earlier changes. The *Policy* which is detailed below is a summary version of the full *Policy* which can be found in the 2019 *Directors' Remuneration Report* (included in the *Annual Report and Accounts 2019* which is available on our website: *lslps.co.uk*).

Operation of the *Policy* in 2021

In determining the *Policy* and its operation, we considered the following six factors which are referred to in the Code:

a. *Clarity* – the *Policy* is well understood by our Senior Management Team and has been clearly explained to our shareholders through direct engagement and our annual remuneration reporting. A key responsibility for our Group HR Director and Darrell Evans, as the designated workforce engagement Non Executive Director, is to engage with the wider employee base on all of our '*people matters*' (including remuneration). This engagement is conducted through our *Employee Engagement Forum* and also via our employee survey, the results of which are reviewed by the Board.

b. *Simplicity* – our focus is to ensure that our *Policy* and practices are simple and straightforward and that the objectives and deliverables are clear. We only operate two employee incentive plans, an annual bonus and a long term incentive scheme. Targets are based on business KPIs and measure performance against them, tracking and rewarding progress toward achieving our strategies and longer term sustainable growth.

c. *Risk* – the *Policy* is designed to ensure that reputational, behavioural and other risks are managed and will not be rewarded via (i) a balanced use of fixed and variable pay, with both short and long term incentive plans, which employ a blend of financial, non-financial and shareholders return targets, (ii) the significant role played by equity in the incentive plans (together with executive shareholding guidelines in service and the post-service policy) and (iii) the inclusion of malus/clawback provisions.

d. *Predictability* – our employee incentive plans are subject to individual caps, with share plans also subject to market standard dilution limits. The scenario charts on page 68 illustrate how the rewards potentially receivable by the Executive Directors vary based on performance delivered and share price growth. The Committee also has the discretion to adjust any vesting outcomes if they are not considered appropriate.

e. *Proportionality* – there is a clear link between individual awards, delivery of strategy and our long term performance. In addition, the significant role played by incentive or '*at-risk*' pay, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded.

f. *Alignment to culture* – the incentive schemes drive behaviours consistent with our *purpose, culture, values* and strategy (including the Group's ESG and *Living Responsibly* strategies), by using metrics in both the annual bonus and the LTIP that underpin the delivery of our strategies. Employee personal success is directly linked to the success of our clients and businesses, through the short and long term incentive plans and targets which we operate.

Overall business performance, ESG matters, and workforce pay, including the Group Chief Executive Officer pay ratio, are taken into account when determining remuneration for the year.

Policy detail by remuneration element

Element of remuneration arrangements	How this component supports our strategies	Operation	Maximum	Performance metrics and period
Basic salary	• Reflects the value of the individual and their role. • Reflects skills and experience over time. • Provides an appropriate level of basic fixed income, avoiding excessive risk arising from over reliance on variable income.	• Reviewed annually, normally effective 1 January. • Takes periodic comparison against companies with similar characteristics and sector comparators.	• There is no prescribed maximum annual basic salary increase. • The Remuneration Committee is guided by the general increase for the broader employee population but may decide to award a lower increase for Executive Directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take account of relevant market movements. • Current basic salary levels are set out in the *Annual Report on Remuneration*.	• Not applicable.

Element of remuneration arrangements	How this component supports our strategies	Operation	Maximum	Performance metrics and period
Annual bonus	• Incentivises annual delivery of financial and strategic goals. • Maximum bonus only payable for achieving demanding targets.	• Targets reviewed annually. • Bonus level is determined by the Remuneration Committee after the end of the financial year, subject to performance against targets set at the start of the financial year. • The Remuneration Committee has the discretion to adjust or override formulaic outcomes for annual bonus payment, if the Committee considers it is not reflective of the Group's underlying performance, taking into account amongst other things, the quality of earnings that underlie the pay and vesting outcomes, which may put at risk future cash-flows, as well as investor experience and the employee reward outcome. • The Group Chief Executive Officer is required to purchase and hold shares equivalent to 33% of any bonus earned, net of tax, for a period of two years. The other Executive Directors are required to purchase and hold shares equivalent to 25% of any bonus earned net of tax, for a period of two years, which will in normal circumstances continue post-cessation of employment. For all Executive Directors on cessation of employment, these shares will not be forfeited for any reason. However clawback and the holding period will continue to apply. • Not pensionable. • Bonus awards are subject to clawback and malus for six years from payment of the bonus, in circumstances of: material misstatement of financial results, corporate failure, failure of risk management, reputational damage, error, inaccurate or misleading information in determining a performance condition or any other matter determining the vesting of an award, breach of relevant regulations, an act or omission during vesting period to the significant detriment of customers, or an act or omission leading to gross misconduct. Recovery can be made through scaling back of existing awards, reduction of future awards including under the LTIP and requesting repayment as a cash sum.	• Maximum opportunity: 100% with the ability to increase to 125% of basic salary*. *Maximum opportunity will not be increased above 100% of basic salary without significant shareholder consultation. This has not occurred and therefore the maximum remains at 100% of salary.	• Performance period of one year. • Performance metrics: – a maximum of 30% of the award will be determined by non-financial measures and a minimum of 70% by financial measures; and – not more than 20% of the total bonus will pay out at threshold.

Element of remuneration arrangements	How this component supports our strategies	Operation	Maximum	Performance metrics and period
LTIP awards (approved by shareholders at the 2017 AGM)	• Aligned to key performance indicators of the Group that drive the strategies and performance of the businesses.	• Awards of nil-cost or conditional shares are made annually, with vesting dependent on the achievement of performance conditions over the subsequent three years. • The Remuneration Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures. • The Committee has the discretion to adjust and override formulaic outcomes of LTIP vesting, if it considers that it is not reflective of the Group's underlying performance, taking into account amongst other things the quality of earnings that underlie the vesting outcomes, which may put at risk future cash-flows, as well as the investor experience and the employee reward outcome. • The Committee has discretion to provide for dividend equivalents in shares to accrue from the date of award to the vesting date or, if applicable, to the end of any post-vesting holding period. • LTIP awards are subject to clawback and malus for six years from vesting, in circumstances of: material misstatement of financial results, corporate failure, failure of risk management, reputational damage, error, inaccurate or misleading information in determining a performance condition or any other matter determining the vesting of an award, breach of relevant regulations, act or omission during vesting period to the significant detriment of customers, act or omission leading to gross misconduct. Recovery can be made through scaling back of existing awards, reduction of future awards including under the annual bonus and deferred annual bonus plan and requesting repayment as a cash sum.	• Normal maximum limit of 125% of basic salary, with grants of up to 200% of basic salary being made in exceptional circumstances.	• Performance period: normally three years. • A two year post-vesting holding period applies to awards granted from 2018 and in normal circumstances continues to apply post-cessation of employment. • At least 30% of the award will be determined by TSR performance, with the remainder by other financial metrics. • 25% vests at threshold for all parts of the LTIP.

Element of remuneration arrangements	How this component supports our strategies	Operation	Maximum	Performance metrics and period
All-employee share schemes: SAYE, SIP/BAYE and CSOP	• Encourages long term shareholding in LSL.	• Invitations from the Remuneration Committee under the approved SAYE, SIP/BAYE and CSOP.	• As per HMRC limits.	None.
Executive share ownership guidelines	• Aligns Executive Directors and shareholders.	• The Group Chief Executive Officer is required to build and maintain a minimum shareholding equivalent to 200% of basic salary over a period of five years from the approval of the *Policy*. • The other Executive Directors are required to build and maintain a minimum shareholding equivalent to 150% of basic salary over a period of five years from the approval of the *Policy*. • All Executive Directors are expected to retain all vested long term incentive awards (subject to any sales necessary to meet tax liability on vesting or exercise) and shares purchased from annual bonus under the Policy, until the guideline is met. • A post-employment shareholding policy applies as follows, with the Committee retaining the discretion to amend the *Policy* in exceptional circumstances: – Directors to hold the lower of shares with a value equivalent to 150% of salary (200% for the Group Chief Executive Officer) and actual shares held on cessation for two years[2]. – The two year holding period for annual bonus shares continues post-employment. – The two year post-vesting holding period for LTIP awards continues post-employment.	• Minimum of 200% of basic salary for Group Chief Executive Officer and 150% of basic salary for the other Executive Directors – no maximum.	None.

Element of remuneration arrangements	How this component supports our strategies	Operation	Maximum	Performance metrics and period
Benefits	• Provides insured benefits to support the Executive Directors and their families during periods of ill health, or in the event of accident or death. • Access to car allowance to facilitate travel.	• Includes car allowance, life assurance and private medical insurance. Other benefits may be provided where appropriate. • Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.	• At cost.	None.
Pension	• Provides modest retirement benefits. • Opportunity for Executive Directors to contribute to their own retirement plan.	• Defined contribution. • HMRC approved arrangement.	• New appointments will receive employer pension contributions in line with the contribution for the majority of the workforce at the time of appointment. • Existing Directors are offered a pension in accordance with auto enrolment minimums or a pension contribution equivalent to 5% of basic salary.	None.
Chair and Non Executive Directors	• To provide fees reflecting the time commitments and responsibilities of each role, in line with those provided by similarly sized companies.	• Cash fee paid on a monthly basis. • Fees are normally reviewed annually. • Any reasonable business related expenses can be reimbursed (including tax thereon if determined to be a taxable benefit).	• There is no prescribed maximum annual fee increase, although there is a total fee cap of £750,000, which is contained in our *Articles of Association*. • Fees are determined and reviewed taking into account experience, time commitment, responsibility and scope of role, as well as the general increase for the broader employee population and market data for similar roles in other companies of a similar size and complexity. Current fees are set out in the *Annual Report on Remuneration*.	None.

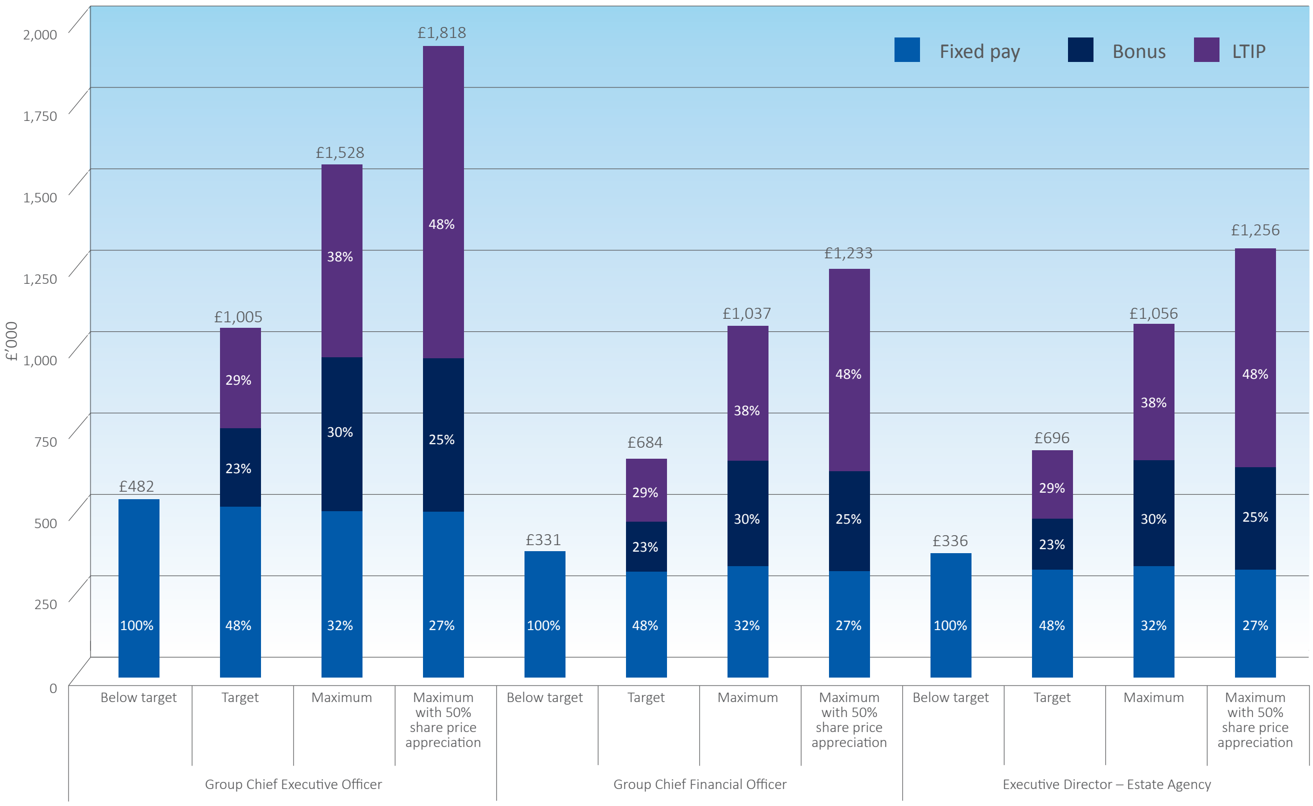
Notes to the *Policy* summary:

1. Authority is given to us to honour any commitments entered into with current or former Executive Directors (such as the payment of last year's annual bonus or the vesting/exercise of share awards granted in the past) that have been disclosed in this and previous *Directors' Remuneration Reports*. Details of any payments to former directors will be set out in the *Annual Report on Remuneration* as they arise.
2. The updated post-employment shareholding policy which requires the Executive Directors to retain a shareholding post-employment will apply to shares acquired from LTIP awards granted from 2019 onwards (i.e. those that vest from 2022 onwards) and bonus awards invested in shares in respect of performance in 2022 onwards (i.e. any bonus award payable from 2023 onwards).

Reward scenarios (illustration of application of the *Policy* for 2022)

The chart below shows how the composition of the remuneration packages for each of the Executive Directors varies at different levels of performance under the *Policy* detailed above, both as a percentage of total remuneration opportunity and as a total value.

The graph also indicates the maximum remuneration under a scenario of 50% share price appreciation over the three year performance period of the LTIP award:



Notes to the reward scenarios:

1. The 'below target' performance scenario comprises the fixed elements of remuneration only, including:
   a. basic salary as applicable from 1 January 2022;
   b. pension as per the *Policy*; and
   c. benefits are as reported for the previous financial year.
2. The target level of bonus is assumed to be 50% of the maximum bonus opportunity (100% of basic salary), and the on-target level of LTIP vesting is assumed to be 50% of the face value, assuming a normal grant level (125% of basic salary). These values are included in addition to the components of fixed remuneration.
3. The maximum remuneration assumes full bonus payout (100% of basic salary) and the full-face value of the LTIP (125% of basic salary), in addition to fixed components of remuneration.
4. No share price growth has been factored into the calculations in the below target, target and maximum calculations.
5. 50% share price growth over the three year performance period of the LTIP award has been used for the '*maximum with 50% share price appreciation*' scenario.
6. The assumptions noted for on-target performance in the graph above are provided for illustration purposes only.

Approach to recruitment and promotions

The remuneration package on appointment for a new Executive Director is set in accordance with the *Policy* which is in place at the date of the appointment and will take into account the skills and experience of the individual, the market rate for a candidate with those skills and experience and the importance of securing the relevant individual.

Basic salary will be provided at the level required to attract the most appropriate candidate and may be set initially at a below mid-market level, on the basis that it may progress towards the mid-market level once skills, expertise and performance have been proven and sustained. The annual bonus potential will be limited to 100% of basic salary (with the ability to increase to 125% of basic salary only when the policy limit is increased following significant shareholders consultation). Grants under the LTIP will be limited to 125% of basic salary or 200% of basic salary in exceptional circumstances. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance metrics to the existing Executive Directors for the first performance year after appointment. Further, in exceptional circumstances the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an individual leaving a previous employer. It will seek to ensure, where possible, that these awards are consistent with any awards forfeited in terms of delivery mechanism, vesting periods, expected value and performance conditions.

For an internal candidate appointed as an Executive Director, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided they are put to shareholders for approval at the earliest opportunity.

For both external and internal candidate appointments, the Committee may agree that we will meet certain relocation and/or incidental expenses as appropriate.

In exceptional circumstances, the Committee may also agree, on the recruitment of a new Executive Director, a notice period in excess of nine months with the intention to reduce this to nine months over a specified period.

Service contracts for Executive Directors

The service contracts for each of the Executive Directors in place at the date of this Report are not fixed term and are terminable by either the Company or the Executive Director as detailed below:

Director	Commencement of service contract	Notice period (from Executive Director and the Company)
David Stewart Group Chief Executive Officer	1 May 2020	Nine months
Adam Castleton Group Chief Financial Officer	2 November 2015	Nine months
Helen Buck Executive Director – Estate Agency	2 February 2017	Nine months

At the Committee's recommendation and at the Board's discretion, an Executive Director's service contract can be terminated early by payment of basic salary and benefits in lieu of the required notice period. The main contractual terms surrounding termination are summarised below:

Provision	Detailed Terms
Notice period	Nine months.
Termination payment	Payment in lieu of notice, based on basic salary, fixed benefits and pension.
Remuneration entitlements	A bonus may be payable (pro-rated where relevant) and outstanding share awards may vest (see below).
Change of control	No Executive Director's service contract contains additional provisions in respect of change of control.

The Remuneration Committee may pay reasonable outplacement and legal fees where appropriate, and may pay any statutory entitlements, or settle or compromise claims or potential claims in connection with a termination of employment, where considered in the Group's best interests.

Subject to the performance conditions being met, an annual bonus may be payable with respect to the period of the financial year served, although it will be pro-rated for time, based on performance and paid at the normal payment date.

Any share-based entitlements granted to an Executive Director under our share plans will be determined based on the relevant share plan rules. However, in certain prescribed circumstances under the LTIP scheme rules, such as death, injury, disability, redundancy, retirement or cessation by reason of the employing company/business ceasing to be a member of the Group, or other circumstances at the discretion of the Committee, a 'good leaver' status may be applied.

LTIP awards for 'good leavers' will, except in exceptional circumstances:

- vest at the original vesting date;
- be determined by testing the performance conditions at the usual time;
- be pro-rated for the proportion of the vesting period that has elapsed; and
- be subject to the two year post-vesting holding period, where applicable.

Awards to Executive Directors who are not 'good leavers' lapse immediately on cessation.

Subject to Board approval and any conditions stipulated by the Board, Executive Directors may accept appropriate outside commercial non executive director appointments, provided that the aggregate commitment is compatible with their duties as an LSL Executive Director.

Non Executive Directors

Our policy is to appoint Non Executive Directors with a breadth of qualifications, skills and experience relevant to the Group's businesses and strategy. The Board makes appointments based on the recommendation of the Nominations Committee. For further details on the Nominations Committee's role and responsibilities, and how it discharges its duties, see the *Nominations Committee Report* which is included in the *Corporate Governance Report* (page 45).

Non Executive Directors, including the Chair, have letters of appointment which set out their roles and responsibilities. The Non Executive Directors, including the Chair, are not eligible to participate in incentive arrangements or receive pension provision. The following table shows details of the terms of appointment of our Non Executive Directors (as at the date of this Report).

Director	Date original term commenced	Date current term commenced	Expiry date of current term
Gaby Appleton Independent Non Executive Director and Senior Independent Director	1 September 2019	31 August 2022	31 August 2025
Simon Embley Non Executive Director	1 January 2015	1 January 2021	31 December 2023
Darrell Evans Independent Non Executive Director and Chair of the Remuneration Committee	28 February 2019	28 February 2022	27 February 2025
Sonya Ghobrial Independent Non Executive Director	4 March 2022	4 March 2022	3 March 2025
James Mack Independent Non Executive Director and Chair of the Audit & Risk Committee	27 September 2021	-	26 September 2024
Bill Shannon Non Executive Chair and Chair of the Nominations Committee	7 January 2014	7 January 2020	6 January 2023

Annual Report on Remuneration

Implementation of the *Policy* for the year ending 31 December 2022

This section of the Directors' Remuneration Report sets out how the *Policy* will be implemented for 2022.

Basic salary

2022 basic salary increases for the Executive Directors are 2%, rounded to the nearest £250. This increase is in line with the average pay award for senior and middle management roles and less than the average pay award for more junior roles within our Group, who will receive more substantial increases. The basic salary levels at 1 January 2022 for the Executive Directors are set out below:

Director	Role	2022 (£)	% increase from 1 January 2022	2021 (£)
Helen Buck	Executive Director – Estate Agency	320,000	2%	313,750
Adam Castleton	Group Chief Financial Officer	313,750	2%	307,500
David Stewart	Group Chief Executive Officer	464,750	2%	455,750

Annual bonus for 2022

We will operate an annual bonus plan for Executive Directors during 2022 that is broadly similar to that operated in 2021, as detailed in the table below.

Financial performance measures	Group Underlying Operating Profit	Estate Agency Underlying Operating Profit	Non-financial measures	Maximum total bonus
Director	% of basic salary	% of basic salary	% of basic salary	% of basic salary
Helen Buck	35%	35%	30%	100%
Adam Castleton	70%	-	30%	100%
David Stewart	70%	-	30%	100%

The Group Underlying Operating Profit and (for Helen Buck) the Estate Agency operating profit targets require performance to be significantly better than budget for full payout.

The non-financial measures for the 2022 bonus scheme will include objectives based on the Executive Directors' delivery of key strategic initiatives in each of our three Divisions: Financial Services, Surveying & Valuation, and Estate Agency. Full disclosure of these targets will be provided in the 2022 *Directors' Remuneration Report*. We are satisfied that the objectives set are challenging and demanding, reflect our ongoing business expectations and have a clear link to our strategy. These non-financial measures will also include specific objectives relating to ESG which focus upon improvements in gender and diversity at the Senior Management Team level and meeting our *Living Responsibly* targets. The Committee has reviewed these non-financial metrics carefully to ensure alignment with our *purpose, culture and values*.

As detailed in the *Policy*, the Executive Directors are required to purchase shares with a proportion of their net of tax bonus and to hold these shares for a minimum of two years.

Long Term Incentive Plan (LTIP) 2022 awards

We will operate an LTIP for Executive Directors during 2022 that is broadly similar to that operated in 2021, as detailed in the table below. The Committee intends to grant an award of 125% to each of the Executive Directors, in line with the *Policy*.

Performance measure	Percentage of award subject to condition	Performance period	Threshold performance level (25% vesting)	Maximum performance level (100% vesting)
Adjusted basic EPS growth	50%	3 years ending 31 December 2024	46.9	52.8
TSR (relative to FTSE Small Cap, excluding investment trusts)	50%		Median (50th percentile)	Upper quartile (75th percentile)

The TSR and adjusted EPS performance conditions were selected on the basis that they reward the delivery of long term returns to our shareholders and our financial growth.

Benefits

Taxable benefits for the Executive Directors will continue to include a car allowance, life assurance and private medical insurance.

Pension

All Executive Directors are paid an employer pension contribution in line with or below that received by the majority of our wider workforce. Adam Castleton chooses to participate in our auto enrolment pension scheme and receives 3% of banded earnings as a pension contribution from the Company. Helen Buck has elected not to join the pension scheme and receives no additional compensation in lieu of this. David Stewart receives 3% of banded earnings in lieu of any employer pension contributions.

Non Executive Directors

As a result of new appointments to the Board, including the appointment of a new Chair of the Board and the removal of the position of Deputy Chair, the fees were reviewed to ensure they were appropriate for the time commitment and experience of the Non Executive Directors. The resulting fees, which came into effect from 1 July 2021, are detailed in the 2021 column of the table below.

In 2022, fees for the Non Executive Directors were increased in line with the average pay review awarded to our wider workforce (2%), rounded to the nearest £250. The 2% increase was applied to the Non Executive fee and some of the additional fees which are applied for additional responsibilities.

Role	2022 (£)	2021 (£)
Chair of the Board	150,500	147,500
Independent Non Executive Director	49,000	48,000
Senior Independent Director	8,250	8,000
Chair of the Remuneration Committee	8,750	8,500
Chair of the Audit & Risk Committee	8,750	8,500
Designated Non Executive Director for workforce engagement	2,000	2,000

Directors’ remuneration payable in 2021 – audited information

Directors’ remuneration

The remuneration of the Directors for 2021 was as follows:

	Note	Year	Basic salary or fees £	Benefits[5] £	Pension contributions[6] £	Subtotal- fixed pay £	Annual bonus £	Share awards[7] £	Subtotal- variable pay £	Grand total £
Chair										
Bill Shannon	1	2021	123,919	-	-	123,919	-	-	-	123,919
		2020	78,000	-	-	78,000	-	-	-	78,000
Executive Directors										
Helen Buck		2021	313,750	16,030	-	329,780	259,158	588,995	844,388	1,177,933
		2020	309,000	16,123	-	325,123	-	47,444	47,444	372,567
Adam Castleton		2021	307,500	16,288	1,319	325,107	259,530	577,562	834,602	1,162,199
		2020	303,000	16,423	1,314	320,737	0	46,507	46,507	367,245
David Stewart		2021	455,750	16,288	1,149	473,187	386,020	-	386,020	859,207
	2	2020	299,333	10,833	766	310,932	0	-	0	310,932
Non Executive Directors										
Gaby Appleton		2021	50,375	-	-	50,375	-	-	-	50,375
		2020	44,000	-	-	44,000	-	-	-	44,000
Simon Embley	3	2021	77,169	-	-	77,169	-	-	-	77,169
		2020	137,500	-	-	137,500	-	-	-	137,500
Darrell Evans		2021	53,675	-	-	53,675	-	-	-	53,675
		2020	46,000	-	-	46,000	-	-	-	46,000
James Mack	4	2021	14,744	-	-	14,744	-	-	-	14,744
		2020	-	-	-	-	-	-	-	-
Total		2021	1,396,882	48,606	2,467	1,447,955	904,708	1,166,557	2,071,265	3,519,221
		2020	1,233,500	43,380	2,079	1,278,959	0	93,951	93,951	1,372,911

Notes to Directors’ remuneration:

1. Bill Shannon was appointed Non Executive Chair of the Board on 28 April 2021 having previously been Deputy Chair and Senior Independent Director. Bill's remuneration for his time as an independent Non Executive Director is included in the 2021 and 2020 figures provided in the Chair section of the table.
2. David Stewart was appointed Group Chief Executive Officer on 1 May 2020, having previously held the position of independent Non Executive Director and Chair of the Audit & Risk Committee. David's remuneration for his time as Group Chief Executive Officer is shown in the Executive Director’s section of the table above, whilst his time as Non Executive Director is shown in the Non Executive Directors’ section of the table.
3. Simon Embley stood down as Chair of the Board on 28 April 2021 and he remained as a Non Executive Director from that date. Simon's remuneration for his time as Chair of the Board is included in the 2021 and 2020 figures provided in the Non Executive Directors’ section of the table.
4. James Mack was appointed to the Board as an independent Non Executive Director and Chair of the Audit & Risk Committee on 27 September 2021.
5. Benefits comprise private medical cover and company car or car allowance.
6. David Stewart receives 3% of banded earnings in lieu of pension. Adam Castleton is part of the auto enrolment pension scheme and receives 3% of banded earnings as an employer contribution.
7. The expected value of vesting for the 2019 LTIP has been calculated using our closing share price over the last three months of the financial year to 31 December 2021 (424.7 pence). £235,348 and £230,780 of this amount is attributable to share price appreciation for Helen Buck and Adam Castleton respectively. These figures will be restated in the *2022 Directors’ Remuneration Report* to reflect the actual share price at vesting. The 2018 LTIP value has been restated based on our closing share price at the time of vesting (303 pence). £13,074 and £12,816 of this amount is attributable to share price appreciation for Helen and Adam respectively.

Annual bonus payments 2021 – audited information

The maximum bonus achievable by the Executive Directors was 100% of salary, 70% of which was determined by achievement of financial measures and 30% by achievement of non-financial measures. The table below shows the total bonus payable to the Executive Directors in relation to the year ended 31 December 2021.

Executive Director	Maximum bonus achievable, in relation to financial measures (% of salary)	Bonus achieved, in relation to financial measures (% of salary)	Maximum bonus achievable, in relation to non-financial measures (% of salary)	Bonus achieved, in relation to non-financial measures (% of salary)	Total bonus payable (% of salary)	Total bonus payable
Helen Buck	70%	70%	30%	12.6%	82.6%	£259,158
Adam Castleton	70%	70%	30%	14.4%	84.4%	£259,530
David Stewart	70%	70%	30%	14.7%	84.7%	£386,020

As per the *Policy*, Helen Buck and Adam Castleton are required to invest 25% of net of tax bonus into our shares, whilst David Stewart is required to invest 33% of net of tax bonus into shares. These shares must be held for at least two years and until their shareholding guideline is met.

The sections below provide further detail on how the proportion of bonus payable in relation to the financial measures and non-financial measures has been determined.

Financial measures

The table below summarises the financial bonus targets which were set at the beginning of the year, and performance for 2021:

Financial performance measures	Group Underlying Operating Profit				Estate Agency Underlying Operating Profit				Bonus payable in relation to financial measures, as % of basic salary
Director	Weighting	Threshold[1]	Maximum	Achievement	Weighting	Threshold	Maximum	Achievement	
Helen Buck	35%	£37.0m	£43.160m		35%	£12.240m	£15.840m	£17.131m	70%
Adam Castleton	70%	£37.0m	£43.160m	£49.313m	Specific to Helen Buck only				70%
David Stewart	70%	£37.0m	£43.160m						70%

Note to financial measures:
1. The level of payment for threshold performance is 18% of salary for each of the Executive Directors.

The 2021 Group Underlying Operating Profit bonus range (threshold and maximum figures detailed in the table above) was set at a higher level than in either 2019 or 2020 and profit achievement was notably higher than both the maximum targets and the previous year’s outturn, resulting in maximum payout of this element.

The Estate Agency Underlying Operating Profit range was slightly lower than that set for 2020. However, given the market challenges this was seen as equally challenging to ranges set in prior years. Profit achievement was also notably higher than both the maximum targets and previous years outturn, resulting in maximum payout of this element.

We reviewed the profit performance against the targets set, noting the very difficult outlook at the start of the year with the ongoing impact from the COVID-19 pandemic, as well as those matters that had contributed to the overall strengthening of the housing market, such as the prolonged reduction in Stamp Duty, and concluded that notwithstanding these factors, performance had been very strong and far exceeded the maximum target set. We concluded therefore that the bonus payment was appropriate and there were no circumstances that gave rise to a scale back of the formulaic outcome.

Non-financial measures/strategic goals

Detailed below is a summary of the non-financial measures which were in place for Executive Directors in respect of their 2021 annual bonus.

We noted the increased weighting given to non-financial measures and the importance of maintaining rigorous and detailed scrutiny, both in terms of setting the objectives and assessing performance against them, with the requirement for significant over achievement for maximum payout.

Based on the outcomes and the weightings detailed in the table below, Helen Buck achieved 42% of her non-financial measures (equating to 12.6% of basic salary), Adam Castleton achieved 48% of his non-financial measures (equating to 14.4% of basic salary) and David Stewart achieved 49% of his non-financial measures (equating to 14.7% of basic salary).

Helen Buck - Executive non-financial measures **Objective and factors used to determine overall outcome**	Weighting	Outcome	Weighted outcome
A. Estate Agency operating model Development of key services including: conveyancing, new homes, asset management and property management services.	30%	50% achievement	15%
B. Financial Services strategic initiatives Efficiencies in new homes mortgage provision businesses, mortgage leads generated and new mortgage attachment rates.	25%	20% achievement	5%
C. Group synergies Delivery of new Group operating model for key support functions, development of inclusion and diversity forum, execution of ESG strategy, feedback from proxy agencies and investors on ESG strategy.	20%	30% achievement	6%
D. Estate Agency team performance, morale and bench strength Market share, senior management attrition and development of robust succession plans.	25%	64% achievement	16%
Total			42% achievement

Adam Castleton - Executive non-financial measures **Objective and factors used to determine overall outcome**	Weighting	Outcome	Weighted outcome
A. Shareholder value, stakeholder perception and new investors Measured through share price performance relative to peers, new investor %, proxy agency feedback and execution of ESG strategy.	15%	70% achievement	10.5%
B. Strategic execution Execution of strategic objectives across our three Divisions and progress against long term CAGR profit growth target.	20%	32.5% achievement	6.5%
C. Growth Market share by segment, growth % of investments and income per franchise branch.	20%	40% achievement	8%
D. Strategic resource Quality of key strategic resource brought into business, level of senior management attrition and development of robust succession plans.	15%	53% achievement	8%
E. Strategic reporting Improvements in KPI and financial reporting to drive strategic initiatives.	20%	25% achievement	5%
F. Liquidity Agreement of new banking facility and terms agreed for disposal of investments.	10%	100% achievement	10%
Total			48% achievement

David Stewart - Executive non-financial measures Objective and factors used to determine overall outcome	Weighting	Outcome	Weighted outcome
A. Shareholder value, stakeholder perception and new investors Measured through share price performance relative to peers, new investor %, proxy agency feedback and execution of ESG strategy.	15%	70% achievement	10.5%
B. Strategic execution Execution of strategic objectives across our three Divisions and progress against long term CAGR profit growth target.	35%	40% achievement	14%
C. Growth Market share by segment, growth % of investments and income per franchise branch.	35%	40% achievement	14%
D. Strategic resource Quality of key strategic resource brought into business, level of senior management attrition and development of robust succession plans.	15%	70% achievement	10.5%
Total			49% achievement

Share awards vesting

The LTIP awards granted in 2019 and measured over the three year period ended 31 December 2021, will vest in 2022. The level of vesting of this award is 91.56% of maximum. Details of the performance measures, targets and performance from which this vesting level is calculated are set out in the table below.

Performance measure	Percentage of award subject to condition	Performance period	Threshold performance level[1] (25% vesting)	Maximum performance level (100% vesting)	Actual performance	Percentage vesting
Adjusted basic EPS growth	70%	3 years ending 31 December 2021	5% per annum	12% per annum	11.4%	94.5%
TSR (performance against peers)	30%		Median (50^{th} percentile)	Upper quartile (75^{th} percentile)	70^{th} percentile	84.7%
					Total	91.56%

Details of the LTIP awards granted in 2019 and the expected value of the vesting are shown in the table below.

Executive Director	Date of grant	Date of vesting	Number of shares under award	Vesting %	Number of shares vesting	Expected total vesting
Helen Buck	29 March 2019	29 March 2022	151,470	91.56%	138,685	£588,995
Adam Castleton	29 March 2019	29 March 2022	148,529	91.56%	135,993	£577,562

Notes to 2019 LTIP awards:

1. The TSR performance is measured against a peer group comprising 21 companies that operate in similar or related sectors to us. For a full list of these companies, please refer to the *2018 Annual Report and Accounts* (which is available on our website *lslps.co.uk*).
2. The expected value of vesting has been calculated using our average share price over the three months to 31 December 2021 (424.7 pence).

Share awards granted during 2021

The LTIP grant was delayed slightly in 2021 due to a delay in the announcement of the 2020 annual results. Details of LTIP (nil cost option) awards granted in 2021 are as follows:

Executive Director	Date of grant	Date of vesting	Share price at grant date	Number of shares under award	Face value of award as % of salary	Face value of award £ at grant date
Helen Buck	5 May 2021	5 May 2024	408.5 pence	96,006	125%	£392,185
Adam Castleton	5 May 2021	5 May 2024	408.5 pence	94,094	125%	£384,374
David Stewart	5 May 2021	5 May 2024	408.5 pence	139,458	125%	£569,686

The LTIP awards detailed above are subject to a two year post-vesting holding period that would also apply post-cessation of employment.

We considered carefully the appropriate EPS range for the 2021 LTIP award, as per the previous year, and elected to set an absolute EPS pence range, as detailed in the table below. In setting this range, the Committee considered the Group's internal forecasts under a range of scenarios, the forecast conditions in the housing market and the external market consensus for our EPS in the coming years. We believed the threshold level of vesting provides the Executive Directors with a realistic target, whilst the upper end of this range requires significant outperformance. We can adjust the award outcomes if vesting levels do not reflect our underlying financial performance and can reconsider the EPS range should the housing market perform significantly better than assumed in setting this range.

The performance measures associated with the 2021 LTIP grant are as follows:

Performance measure	Percentage of award subject to condition	Performance period	Threshold performance level (25% vesting)	Maximum performance level (100% vesting)
Adjusted basic EPS in 2023	50%	3 years ending 31 December 2023	28.6 pence	40.5 pence
TSR (performance against FTSE Small Cap excluding investment trusts)	50%		Median (50th percentile)	Upper Quartile (75th percentile)

External appointments

David Stewart is also Non Executive Chair of the Enra Group. Otherwise, none of the Executive Directors hold non-executive directorships of any other companies, other than to represent the Group's investment interests in other companies.

Payments to past Directors

No payments have been made to past Directors.

Payments for loss of office

On stepping down from the board on 1 May 2020, Ian Crabb remained an employee until 30 January 2021, in line with his nine month notice period. From 1 January 2021 to 30 January 2021, Ian received his basic salary of £37,416, a car allowance of £2,915 and pension contributions totalling £3,817.

Outstanding share awards

Options granted to Executive Directors and to Simon Embley (when he was Group Chief Executive Officer) to acquire shares are as follows:

Director	Award type	Date of grant	Share price on grant	Exercise price	As at 1 January 2021	Awards granted during year	Awards lapsed during year	Awards exercised during year	Awards vested during year	As at 31 December 2021	Exercise period
Helen Buck	LTIP	29 March 2018	219.50p	Nil	173,405	-	157,747	15,658	-	0	29 March 2021 to 29 March 2028
	SAYE	1 June 2018	249.00p	245.00p	1,469	-	-	1,469	-	0	1 June 2021 to 30 November 2021
	LTIP	29 March 2019	255.00p	Nil	151,470	-	-	-	-	151,470	29 March 2022 to 29 March 2029
	SAYE	1 June 2019	227.00p	265.00p	2,037	-	-	-	-	2,037	1 June 2022 to 30 November 2022
	LTIP	9 November 2020	210.50p	Nil	152,665	-	-	-	-	152,655	9 November 2023 to 9 November 2030
	LTIP	5 May 2021	408.50p	Nil	0	96,006	-	-	-	96,006	5 May 2024 to 5 May 2031
	SAYE	28 May 2021	468.00p	327.00p	0	2,388	-	-	-	2,388	1 July 2024 to 31 December 2024
Adam Castleton	LTIP	29 March 2018	219.50p	Nil	169,988	-	154,639	-	-	15,349	29 March 2021 to 29 March 2028
	SAYE	1 June 2018	249.00p	245.00p	1,469	-	-	1,469	-	0	1 June 2021 to 30 November 2021
	LTIP	29 March 2019	255.00p	Nil	148,529	-	-	-	-	148,529	29 March 2022 to 29 March 2029
	LTIP	9 November 2020	210.50p	Nil	149,700	-	-	-	-	149,700	9 November 2023 to 9 November 2030
	LTIP	5 May 2021	408.50p	Nil	0	94,094	-	-	-	94,094	5 May 2024 to 5 May 2031
	SAYE	28 May 2021	468.00p	327.00p	0	3,302	-	-	-	3,302	1 July 2024 to 31 December 2024
Simon Embley	LTIP	2 April 2012	275.00p	Nil	58,333	-	-	-	-	58,333	2 April 2015 to 2 April 2022
David Stewart	LTIP	9 November 2020	210.5p	Nil	221,833	-	-	-	-	221,833	9 November 2023 to 9 November 2030
	LTIP	5 May 2021	408.50p	Nil	0	139,458	-	-	-	139,458	5 May 2024 to 5 May 2031
	SAYE	28 May 2021	468.00p	327.00p	0	3,302	-	-	-	3,302	1 July 2024 to 31 December 2024

Notes to outstanding share awards:

1. All of the above are scheme interests. Details of long term incentive awards granted in 2021 are presented in a separate paragraph, while details of previous outstanding awards are presented in the previous year's *Directors' Remuneration Report* and are included in note 14 to the *Financial Statements*.
2. The 2018 LTIP awards exercised by Helen Buck are subject to a two year holding period and have therefore been held and are included in Helen's shareholding as detailed in the *Directors' interests in shares* table below.
3. The share mid-market price ranged from 154.0 pence to 486.5 pence and averaged 386.0 pence during 2021. The share price on 31 December 2021 was 416.0 pence, compared to 280.5 pence on 4 January 2021.
4. Simon Embley's LTIP award has been pro-rated to reflect his change of role from Group Chief Executive Officer to Non Executive Chair on 1 January 2015.
5. The LTIP awards granted to the Executive Directors in 2018, 2019, 2020 and 2021 are subject to the two year post-vesting holding period. This would continue to apply post-cessation of employment.

Directors' interests in shares

The interests of the Directors who served on the Board during the year are set out in the table below:

	Shareholdings (number of shares)		Share awards (number of shares)		Total (number of shares for shareholding)	Shareholding guideline[1]	Executive Director shareholding[2]
Director	31 December 2021	31 December 2020	Unvested	Vested but unexercised number of shares	31 December 2021	(% of basic salary)	(% of basic salary)
Gaby Appleton Non Executive Director	-	-	-	-	-	-	N/A
Helen Buck Executive Director – Estate Agency	21,121	3,378	404,556	-	21,121	150%	28%
Adam Castleton Group Chief Financial Officer	6,468	4,374	395,625	15,349	21,817	150%	19.8%
Simon Embley[3] Non Executive Director	6,777,291	6,777,291	-	58,333	6,835,624	-	N/A
Darrell Evans Non Executive Director	-	-	-	-	-	-	N/A
James Mack Non Executive Director	-	-	-	-	-	-	N/A
Bill Shannon Chair of the Board	25,329	25,329	-	-	25,329	-	N/A
David Stewart Group Chief Executive Officer	280	-	364,593	-	280	200%	0.26%

Notes to Directors' interest in shares:

1. We recognise that due to the minimal vesting of long term incentive awards in recent years, there have been limited opportunities for Executive Directors to accumulate shares. We are keen to increase share ownership amongst the Executive Directors and believe that through the requirement to purchase shares with a proportion of bonus and through the retention of all vested long term incentive awards, the Directors' shareholding will increase substantially during 2022.
2. The shareholdings are calculated based on shares owned and vested but unexercised awards, net of tax, at 31 December 2021. Shareholding guideline calculations are based on the share price at 31 December 2021 of 416.0 pence and the Executive Director's basic salary at 31 December 2021.
3. The *Annual Report and Accounts 2020* stated that Simon Embley's total interest in shares was 6,932,052. This figure incorrectly included values for a JSOP and CSOP award which lapsed during 2020 and the correct total interest in shares at 31 December 2020 was 6,835,624. The above table does not reflect Simon's exercise of his 2012 LTIP which took place in 2022, which is referred to below.

All of the interests detailed above are beneficial. Apart from the interests disclosed above, no Directors held interests at any time in the year in the share capital of any other Group company.

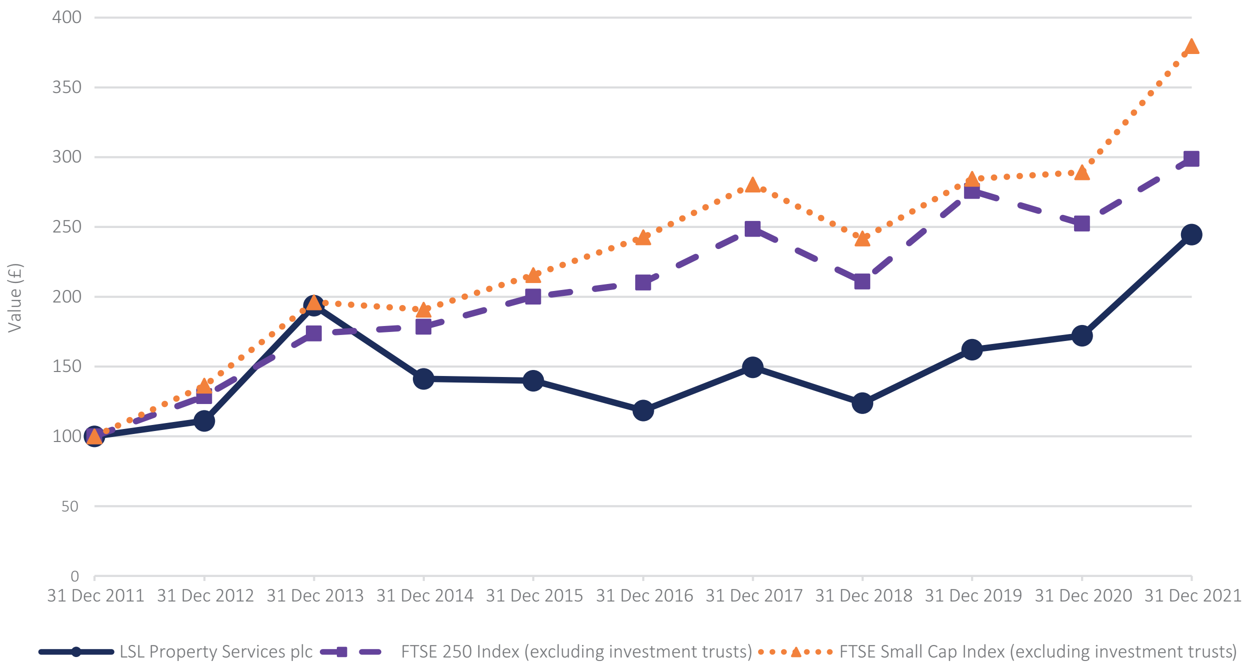
There have been no changes in the interests of any Director between 31 December 2021 and the date of this Report, other than the purchases of shares by Adam (136 shares), Helen (137 shares) and David (136 shares) as participants of our SIP/BAYE scheme (in January, February and March 2022) (these shares were purchased by the Trust at the prevailing market rate) and the exercise of the 2012 LTIP award by Simon (58,333 shares) (in January 2022).

No Director has, or has had, any direct or indirect interest in any transaction, contract or arrangement (excluding service agreements), which is or was unusual in its nature or conditions, or significant to our business, during the current or immediately preceding financial year.

Performance graph and table

The following graph shows the value, up to 31 December 2021, of £100 invested in LSL compared with the value of £100 invested in both the FTSE Small Cap (excluding investment trusts) Index and the FTSE 250 (excluding investment trusts) Index on 31 December 2011. The FTSE 250 Index has been chosen for consistency with prior years and the FTSE Small Cap Index because LSL is a constituent of the FTSE Small Cap Index.

Total Shareholders Return



Group Chief Executive Officer's total remuneration

The total remuneration figures for the role of Group Chief Executive Officer during each of the last ten financial years are shown in the table below. The total remuneration figure includes the annual bonus based on that year's performance and share awards based on three year performance periods ending in or just after the relevant year. The annual bonus payout and share vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	Year ending in											
	Simon Embley (to 9 September 2013)		Ian Crabb (from 9 September 2013 to 1 May 2020)								David Stewart (from 1 May 2020)	
	2012	2013	2013	2014	2015	2016	2017	2018	2019	2020	2020	2021
Total remuneration	£525,018	£500,862[1]	£119,522[1]	£571,500	£852,869	£499,000	£835,120	£774,629	£760,679	£161,214[2]	£310,932[2]	£859,207
Annual bonus	60%	91.7%	N/A	54%	93.3%	16%	97%	79.8%	61.7%	0%	0%	84.7%
LTIP vesting	55%	0%	N/A	N/A	66.81%	0%	0%	0%	0%	N/A	N/A	N/A

Notes to Group Chief Executive Officer's total remuneration:

1. The total remuneration disclosed for 2013 is Simon Embley's total remuneration as Group Chief Executive Officer up to 9 September 2013, when he changed role to Deputy Chair, and Ian Crabb's total remuneration from 9 September 2013, when he was appointed Group Chief Executive Officer, to 31 December 2013.
2. The total remuneration disclosed for 2020 is Ian Crabb's total remuneration as Group Chief Executive Officer up to 30 April 2020, when he ceased to be Group Chief Executive Officer, and for David Stewart from 1 May 2020, when he was appointed Group Chief Executive Officer.

Percentage change in Directors' remuneration

In line with the requirements of the *Revised Shareholders Rights Directive* (***2018 Regulations***), the table below shows the annual percentage change in salary/fees, benefits and bonus for each of the current Directors, compared to the average for our wider workforce over the last three financial years.

	2021 vs 2020			2020 vs 2019[9]			2019 vs 2018[9]		
Director	% change in salary/fees	% cha0nge in taxable benefits (excluding pension)	% change in bonus (includes commission)	% change in salary/fees	% change in taxable benefits (excluding pension)	% change in bonus (includes commission)	% change in salary/fees	% change in taxable benefits (excluding pension)	% change in bonus (includes commission)
Chair									
Simon Embley[1]	N/A	N/A	N/A	-13.2	0.0	0.0	19.6	0.0	0.0
Bill Shannon[2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Executive Directors[3]									
Helen Buck	1.5	-0.6	N/A	0.0	-1.2	-100.0	1.5	-1.2	36.8
Adam Castleton	1.5	-0.8	N/A	0.0	-1.7	-100.0	1.5	-0.3	-17.8
David Stewart[4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non Executive Directors									
Gaby Appleton[5]	14.5	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Darrell Evans[6]	16.7	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
James Mack[7]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
All employees									
Median of LSL workforce[8]	1.9	-71.8	-7.0	2.1	67.8	5.2	4.8	N/A	30.0

Notes to percentage change in Directors' remuneration for the period 2021 vs 2020:

1. Simon Embley stood down as Chair of the Board in 2021. A percentage change from the prior year has not been provided, due to this change in role.
2. Bill Shannon was appointed as Chair of the Board during 2021. A percentage change from the prior year has not been provided, due to this change in role.
3. The Executive Directors were not awarded any bonus in 2020 and higher bonuses were awarded in respect of 2021 in line with achievement against financial and non-financial measures. A percentage change figure from 2020 to 2021 has therefore not been provided for this section.
4. David Stewart was appointed as Group Chief Executive Officer on 1 May 2020. Prior to this date, David was a Non Executive Director. The percentage change in relation to fees for this role are not shown above. As David was not an Executive Director prior to 2020, a percentage change from the prior year is not meaningful and has not been provided.
5. Gaby Appleton became Senior Independent Director during 2021 and her fee was increased accordingly.
6. Darrell Evans became Chair of the Remuneration Committee during 2021 and his fee was increased accordingly.
7. James Mack was appointed to the Board during 2021 and therefore a percentage change from the prior year has not been provided.
8. The median full time equivalent pay of all employees in the Group and still in employment at 31 December has been provided as an appropriate comparator. The total number of employees in this group at 31 December 2021 was 4,611. This excludes employees who joined the business during December 2021 but received their first pay in January 2022. Increase in average basic salaries amongst the wider workforce was broadly in line with the Executive Directors. The decrease in the median value of benefits and bonus for the workforce is attributable to changes in the distribution of earnings amongst this group, as the median FTE total pay of the workforce actually increased by 8.6% (from £29,789 to £32,362) on the prior year, as detailed in the figures in the Group Chief Executive Officer pay ratio figures below and corresponding figures in the *2020 Annual Report*.
9. For notes of changes in previous years, please refer to our previous *Annual Report and Accounts*.

Group Chief Executive Officer to employee pay ratio

The table below discloses the ratio between the Group Chief Executive Officer's remuneration and our wider workforce since 2018.

Financial Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2018	Option A	40.5 : 1	27.9 : 1	16.2 : 1
2019	Option A	38.1 : 1	26.1 : 1	14.9 : 1
2020	Option A	23.4 : 1	15.8 : 1	9.1 : 1
2021	Option A	40.3: 1	26.5 : 1	15.4 : 1

The 2021 employee data used to calculate the ratios is set out in the table below:

	25th percentile	Median	75th percentile
Total pay and benefits of employees	£21,344	£32,362	£55,714
Basic salary of employees	£17,920	£22,500	£36,000

Notes to percentage change in Group Chief Executive Officer to employee pay ratio:

We have chosen option A (which compares our full time equivalent total remuneration for all UK employees against the Group Chief Executive Officer) as the most appropriate methodology to report the ratios, in line with the recommendation from the UK Government's Department for Business, Energy and Industrial Strategy, and a number of shareholders representative and proxy-voting bodies.

The ratio above includes all UK-based employees who were employed in any part of the Group at 31 December 2021. The employee remuneration data includes the full time equivalent data in respect of basic pay, bonus, commission, taxable benefits, share-based remuneration and pension benefits, so as to provide a comparable figure to the Group Chief Executive Officer single figure total remuneration.

In calculating the bonus and commission elements for employees, we have used the bonus and commission paid to employees during 2021. In some instances, employees receive bonus or commission payments in arrears. However, due to a number of these elements (for example year end annual bonuses) not being finalised at the time of writing, this Report was written with these elements not being reapportioned to the relevant financial year. In line with the legislation, we disclose this variation in methodology. However, we consider that this approach provides a broadly similar outcome to the result if 2021 year end bonuses had been included.

At 31 December 2021, we employed over 4,600 people in a wide variety of roles. The reward policies and practices for employees follow those set for the Executive Directors, as detailed on page 62 of this Report. The Committee also has responsibility for setting the remuneration of the Senior Management Teams within the Group and reviews and monitors the Group's wider remuneration policies and practices.

We note the increase in the ratio from 2020 and attribute this to the increase in the Group Chief Executive Officer's earnings, as he received no bonus payment last year and was awarded a bonus this year, in line with the achievement of financial and non-financial measures. We believe the remuneration and ratio presented above is representative of the Group Chief Executive Officer's responsibilities and contribution to the Group and is consistent with the pay, reward and progression policies for Group employees.

Relative importance of spend on pay

The following table shows our actual spend on pay for all employees, relative to dividends paid and profit earned:

	2021 (£m)	2020 (£m)	Change (%)
Staff costs[1]	202.2	162.5	24.4
Dividends (excluding any special dividend)	11.8	-	100
Profit after tax[2]	61.9	16.3	279.8
Adjusted profit after tax[2]	39.1	32.8	19.2

Notes to relative importance of spend on pay:

1. See note 14 to the *Financial Statements* for calculation of staff costs.
2. See note 11 to the *Financial Statements*.

Statement of shareholders' voting

The *Directors' Annual Statement and Report on Remuneration* for 2020 was presented to shareholders at the 2021 AGM on 23 June 2021. The *Policy* was presented to shareholders at the 2020 AGM on 30 June 2020. The voting outcomes were as follows:

	Annual statement and annual report on remuneration		Directors' remuneration policy	
Votes cast in favour	80,602,230	99.11%	80,357,149	97.14%
Votes cast against	722,186	0.89%	2,362,567	2.86%
Total votes cast	81,324,416	100%	82,719,716	100%
Total votes withheld	0	-	2,000	-

Remuneration Committee

Role and membership

During 2021, Bill Shannon was Chair of the Committee until April 2021 when Darrell Evans took over. The other members were Bill Shannon, Gaby Appleton and James Mack. Sonya Ghobrial joined the Committee on 4 March 2022. Details of attendance at the Committee's meetings in 2021 are set out in the *Corporate Governance Report* on page 47 of this Report and its responsibilities are set out in its terms of reference which are available from the Company Secretary or from our website (*lslps.co.uk*).

2021 highlights

The Remuneration Committee met six times in 2021 and its discussions included the following items:

a. Review of the Senior Management Team population in scope for the Committee's approval.
b. Review of total reward for the Senior Management Team population.
c. Review of variable pay arrangements and payments below Board level.
d. 2021 bonus scheme arrangements including mid year review of NFMs.
e. Share plan matters, including the vesting and granting of awards.
f. Review of Executive Director remuneration/policy and employee feedback on this subject.
g. Consideration of appropriate all-employee share plan proposals for 2022.

Set out below are those areas of the Committee’s work that it is required to report under the Code and reporting regulations and which are not covered elsewhere in this Report.

Engagement with stakeholders

During 2021, there were no remuneration related matters that required engagement with shareholders. We consider shareholder feedback received in relation to our *Annual Report and Accounts*, including the *Directors’ Remuneration Report*, at a meeting following our AGM each year and this is taken into account in the implementation of the *Policy*. We will actively engage with shareholders to seek their views and feedback as part of the *Policy* review during 2022 and will present the revised *Policy* to shareholders for approval at the 2023 AGM.

As set out in the *Stakeholder Engagement Arrangements* and the *Corporate Governance Report* sections of this Report, we have a number of different channels for engaging with our workforce. This includes through the designated Non Executive Director for workforce engagement, Darrell Evans; his role as Chair of the Remuneration Committee provides a route for the Committee to engage with the wider workforce on remuneration matters. The *Employee Engagement Forum’s* views were also sought during 2021 on Executive remuneration policy and its alignment with our wider pay practices.

Remuneration Committee advisers

We received independent advice during the year from Korn Ferry on matters relating to Executive Director and senior managers remuneration. No other services are provided to the Group by Korn Ferry.

Korn Ferry was selected and appointed by the Committee and provided advice to us in relation to the assessment of TSR performance for the LTIP, benchmarking of the senior roles, bonus share investment and the disclosures required in this Report. Additionally, Korn Ferry attended the September 2021 Committee meeting to provide a market update and advice in relation to workforce engagement on remuneration matters and potential changes to the post-employment shareholding policy. Its fees for 2021, which are based on an hourly rate, were £27,085 (excluding VAT) (2020: £11,521).

Korn Ferry is a signatory to the *Remuneration Consultants’ Code of Conduct* and has confirmed to us that it adheres in all respects to the terms of this code. We consider its advice to be independent and objective.

The Directors’ Remuneration Report is approved by and signed on behalf of the Board of Directors

Darrell Evans
Chair of the Remuneration Committee
15 March 2022

Financial Statements

In this section

Independent Auditor’s Report

for the year ended 31 December 2021

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF LSL PROPERTY SERVICES PLC

Opinion

In our opinion:

- LSL Property Services plc’s group financial statements and parent company financial statements (the “financial statements”) give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 December 2021 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of LSL Property Services plc (the ‘parent company’) and its subsidiaries (the ‘group’) for the year ended 31 December 2021 which comprise:

Group	Parent company
Group Income Statement for the year ended 31 December 2021	Parent Company Balance Sheet as at 31 December 2021
Group Statement of Comprehensive Income for the year ended 31 December 2021	Parent Company Statement of Cash-Flows for the year ended 31 December 2021
Group Balance Sheet as at 31 December 2021	Parent Company Statement of Changes in Equity for the year ended 31 December 2021
Group Statement of Cash-Flows for the year ended 31 December 2021	Related notes 1 to 19 to the financial statements, including a summary of significant accounting policies
Group Statement of Changes in Equity for the year ended 31 December 2021	
Related notes 1 to 37 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 UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC’s Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

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. Our evaluation of the directors’ assessment of the group and parent company’s ability to continue to adopt the going concern basis of accounting included the following procedures:

How we evaluated management's assessment

- We obtained management's going concern assessment including the cash forecast and covenant calculations for the going concern period through to 31 March 2023 and tested these for arithmetical accuracy;
- We challenged the appropriateness of the key assumptions in management's forecasts including revenue growth, by comparing these to industry benchmarks and through consideration of historical forecasting accuracy;
- We obtained management's downside forecasts which included a severe reduction in performance to levels similar to the 2008 financial crisis as well as material cash outflows relating to a PI risk event and to fund acquisitions made by the Pivot Growth joint venture;
- We assessed the plausibility of management's downside scenarios by corroborating the key assumptions to third party data for indicators of contradictory evidence, for example, in relation to the reduction in house prices during the 2008 financial crisis. Further we considered whether there could be any material impact of climate change in the going concern period;
- We performed reverse stress testing in order to identify and understand what factors would lead to the group utilising all liquidity or breaching the financial covenants during the going concern period. Reverse stress testing showed that performance would need to reduce in excess of independently forecast worst case scenarios in order to utilise all liquidity or breach financial covenants;
- We considered the quantum and timing of mitigating factors included in management's forecasts and the extent to which these are within management's control such as the suspension of dividend payments which is the most significant mitigating factor and is not reflected in the going concern scenarios described above;
- We obtained the agreement for the Revolving Credit Facility ('RCF') and reviewed the nature of the facility, repayment terms, covenants and attached conditions. We assessed its continued availability to the group through the going concern period and checked completeness of covenants identified by management;
- We reviewed the disclosures made relating to going concern included in the Annual Report & Accounts in order to assess the appropriateness of the disclosures and conformity with reporting standards;

Our key observations

- The group has cash of £48.5m as at 31 December 2021 and borrowings of nil. There is significant liquidity through the cash balance and revolving credit facility to enable the group to continue to meet its obligations as they fall due through the going concern period.
- The RCF has a facility limit of £90m plus a £30m accordion and matures in May 2024.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period to 31 March 2023.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 9 components and audit procedures on specific balances for a further 4 components. • The components where we performed full or specific audit procedures accounted for 98% of profit before tax excluding exceptional costs and the exceptional gain in relation to sale of joint ventures ('adjusted profit before tax'), 95% of revenue and 96% of total assets.
Key audit matters	• Risk of inappropriate recognition of revenue (including lapse provision) • Risk of inappropriate valuation of goodwill in relation to Marsh & Parsons and Your Move / Reeds Rains
Materiality	• Overall group materiality of £2.1m which represents 5% of adjusted profit before tax.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

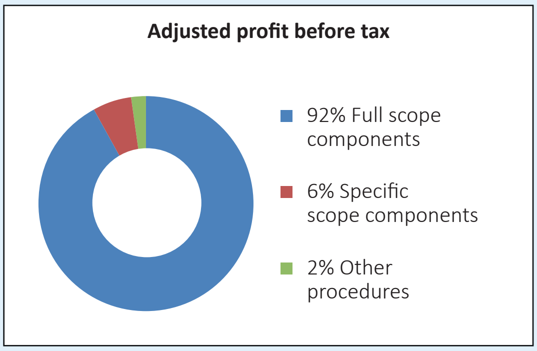
In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 30 reporting components of the group, we selected 13 components covering entities within the UK and Jersey, which represent the principal business units within the group.

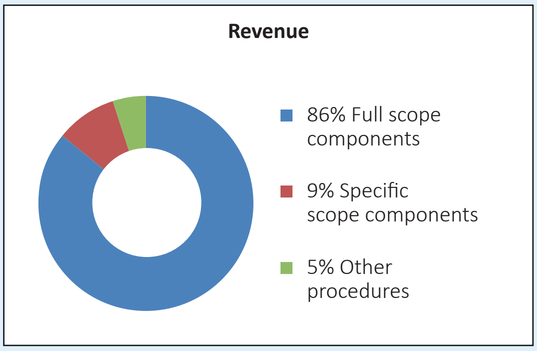
Of the 13 components selected, we performed an audit of the complete financial information of 9 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 4 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

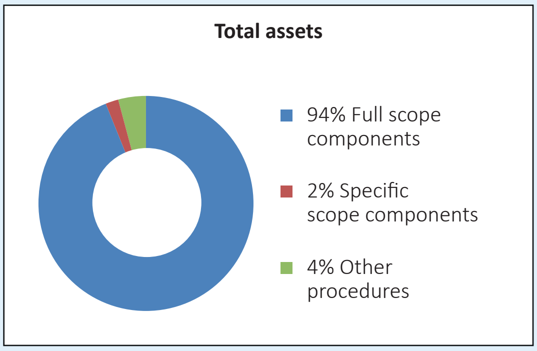
The reporting components where we performed audit procedures accounted for 98% (2020: 90%) of the group's adjusted profit before tax, 95% (2020: 94%) of the group's revenue and 96% (2020: 99%) of the group's total assets. For the current year, the full scope components contributed 92% (2020: 79%) of the group's adjusted profit before tax, 86% (2020: 84%) of the group's Revenue and 94% (2020: 96%) of the group's Total assets. The specific scope components contributed 6% (2020: 11%) of the group's adjusted profit before tax, 9% (2020: 10%) of the group's revenue and 2% (2020: 3%) of the group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group.

Of the remaining 17 components that together represent 2% of the group's adjusted profit before tax, none are individually greater than 3% of the group's adjusted profit before tax. For these components, we performed other procedures, including analytical review, review of internal audit reports, review of minutes of board meetings, testing of consolidation journals and review of entity level controls to respond to any potential risks of material misstatement to the group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.







Changes from the prior year

The number of full scope components increased compared to the prior year as a result of the increasing relative contribution to the group from financial services components.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the group audit team.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact LSL Property Services plc. Given the nature of the business in a non-carbon intensive industry, management does not consider there to be a material impact from climate change. Group management has determined that the potential future impacts from climate change on its operations would be from severe weather events impacting office-based locations, however, with a predominantly leased property footprint, group management concludes there is little risk of significant business disruption and no significant financial impact from climate change. These conclusions are explained on pages 29 to 30 in the required Task Force for Climate related Financial Disclosures and on pages 22 to 26 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in Note 2 to the Group Financial Statements, management considered the impact of climate change when preparing the Group Financial Statements. The group did not identify any climate risk that would impact the carrying values of the group's assets or have any other impact on the financial statements.

Whilst the group has stated its commitment to the aspirations to achieve net zero by 2040, the group is currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore the potential impacts are not fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
Risk of inappropriate recognition of revenue (including lapse provision) *Refer to the Audit & Risk Committee Report (page 54); Accounting policies (page 101); and Note 3 of the Group Financial Statements (page 109)* The group has reported revenues of £326.8m (2020: £266.7m). The risk was one of the most significant assessed risks of material misstatement due to the potential for bias or error in the timing of transactions. There is also judgement in the value of commission income that will be clawed back. We identified the following specific risk of fraud and error in respect of improper revenue recognition given the nature of the group's services as follows: • Inappropriate cut-off of revenue at period end; and • Inappropriate measurement of the reduction to revenue recorded for expected clawback of commissions on lapsed insurance policies. There is no change in risk profile in the current year.	At each full and specific scope audit component with material revenue streams: • We performed walkthroughs of each significant stream of revenue and confirmed the existence of key controls around the recognition of revenue and measurement of the lapse provisions; • We performed cut-off testing for the period before and after the year end with reference to underlying contracts and evidence of management's assessment of the point of revenue recognition. This included assessment of the appropriateness of the cut-off model applied by management in the Financial Services division. • We performed transactional testing and data analysis procedures to assess the recognition of revenue throughout the year. Where items did not follow the expected transaction flow, we investigated outliers and corroborated to third party evidence where appropriate. For the lapse provision: • We tested the underlying calculations for arithmetical accuracy and consistency across the group; • We tested the integrity of the data which underpins management's assumptions in the lapse provision model by testing a sample of historical lapses to third party evidence. We performed full and specific scope audit procedures over this risk area in 11 locations, which covered 95% of the group's revenue. We also performed other procedures in 9 locations which covered the remaining 5% of the group's revenue. This consisted of analytical procedures over material movements in the Income Statement and Balance Sheet.	We have not identified any evidence of material misstatement in the revenue recognised in the year. The methodology for calculating the lapse provision was applied consistently across all full and specific scope entities and was found to be reflective of the key terms of the contracts with customers.

Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
Risk of inappropriate valuation of goodwill in relation to Marsh & Parsons and Your Move / Reeds Rains *Refer to the Audit & Risk Committee Report (page 54); Accounting policies (page 101); and Note 16 of the Consolidated Financial Statements (page 123)* The carrying value of goodwill on the Group Balance Sheet is £160.9m (2020: £159.9m). Of this amount, £40.3m relates to Marsh & Parsons and £58.8m relates to the Your Move / Reeds Rains CGU. The valuation of goodwill for these two cash generating units ('CGUs') was one of the most significant assessed risks of material misstatement due to the high level of estimation uncertainty inherent in the impairment review, particularly in assessing the future performance of these CGUs and the appropriate discount rate to apply in calculating the 'value in use' of the CGUs. There is no change in risk profile in the current year. As in prior year the risk has been allocated to the entities which have a lower percentage of headroom in 2021, being Marsh & Parsons and Your Move / Reeds Rains.	We challenged management's assumptions used in its assessment of the recoverability of the carrying value of goodwill. We did this by focusing on the appropriateness of the CGU identification and the methodology applied to estimate the value in use, discount rates and forecast cash flows. Specifically: • We evaluated whether the CGUs identified are the lowest level at which management monitors goodwill consistent with the requirements of IAS 36; • We assessed the methodology applied in the value in use calculations as compared to the requirements of IAS 36 and tested the mathematical accuracy of management's model; • We confirmed that the base cash flow forecasts prior to group overlay adjustments used in the valuation are consistent with information approved by the Board. We assessed the appropriateness of the use of these forecasts in light of the historical accuracy of management's forecasts and current economic conditions; • We challenged management on the group overlay adjustments made to the Board-approved forecasts; • We considered the impact of IFRS 16 on the cashflows, ensuring consistency between the assets and associated cash flows; • We obtained an understanding of, and assessed the basis for, key underlying assumptions in the three-year forecasts which form the basis of the calculations; • We challenged the appropriateness of the long-term growth rate applied within the model through comparison to external sources; • We engaged our internal valuation specialists to assess the appropriateness of the discount rates applied within the model for each CGU, the compliance of the model with IAS 36 and the appropriateness of the long-term growth rate;	We consider management's conclusion that goodwill is not impaired to be reasonable. We conclude a disclosure is required for Marsh & Parsons as reasonably possible changes in assumptions, notably in relation to the cash flow forecasts, could lead to impairment.

Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
	• We performed sensitivity analyses by stress testing key assumptions in the model with downside scenarios to understand the parameters that, should they arise, could lead to a different conclusion in respect of the carrying value of goodwill; • We challenged whether reasonably possible changes in assumptions could lead to a different conclusion in respect of the carrying value of goodwill; • We performed reverse stress testing analysis to determine the sensitivity of the cash flows to the compound annual growth rate. • We considered the adequacy of the disclosure in the financial statements in respect of the key assumptions where a reasonably possible change could give rise to an impairment; and • We considered whether there is any material risk from climate change to the recoverability of each CGU.	

In the prior year, our auditor’s report included key audit matters in relation to risk of inappropriate valuation of contingent consideration liabilities and risk of inappropriate valuation of professional indemnity (PI) provision. In the current year, these risks are no longer considered to be key audit matters due to the reduced size of, and judgement within, the balances compared with 2020.

Our application of materiality

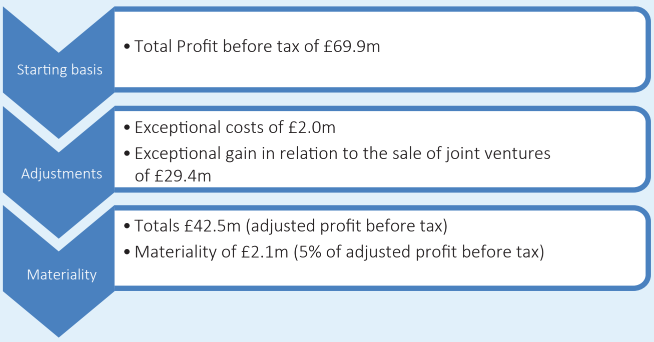
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £2.1 million (2020: £1.4 million), which is 5% (2020: 5%) of adjusted profit before tax. We believe that adjusted profit before tax provides us with the most relevant performance measure to the stakeholder of the group.

We determined materiality for the Parent Company to be £1.5 million (2020: £1.1 million), which is 1% (2020: 1%) of equity.



During the course of our audit, we reassessed initial materiality with the only change in the final materiality from our original assessment at planning being to reflect the actual reported performance of the group in the year. This resulted in a materiality of £2.1m compared with our initial assessment at the planning stage of £2.0m.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (2020: 50%) of our planning materiality, namely £1.1m (2020: £0.7m). We have set performance materiality at this percentage reflecting our prior year audit experience and the decentralised nature of the group.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.1m to £0.7m (2020: £0.1m to £0.4m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit & Risk Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2020: £0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 166 to 171 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Corporate Governance Statement
We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 40;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on pages 25 to 26;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 40;
- Directors' statement on fair, balanced and understandable set out on page 44;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 22;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 57; and;
- The section describing the work of the Audit & Risk Committee set out on page 55.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of

not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards, Companies Act 2006, and the UK Corporate Governance Code, 2018) and the relevant tax compliance regulations in the UK.
- We understood how LSL Property Services plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit & Risk Committee and attendance at all meetings of the Audit & Risk Committee.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various components of the group to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk or other risk of material misstatement. These procedures included those on revenue recognition detailed above and the testing of manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud and error .
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the group; enquiries of legal counsel, management and internal audit; and testing as described above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2018.

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

Other matters we are required to address

- Following the recommendation from the Audit & Risk Committee, we were appointed by the company on 23 June 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 21 years, covering the years ending 31 December 2001 to 31 December 2021. LSL Property Services plc listed on the London Stock Exchange in 2006.
- The audit opinion is consistent with the additional report to the Audit & Risk Committee.

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.

Mark Morritt (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

15 March 2022

Group Income Statement

for the year ended 31 December 2021

	Note	**2021 £'000**	2020 £'000
Continuing operations:			
Revenue	3	326,832	266,742
Operating expenditure:			
Employee and subcontractor costs	14	(202,269)	(162,455)
Establishment costs		(10,071)	(9,528)
Depreciation on property, plant and equipment	17	(12,500)	(13,929)
Other operating costs		(55,339)	(46,938)
		(280,179)	(232,850)
Other operating income	3	937	783
Gain on sale of property, plant and equipment		1,061	15
Income from joint ventures and associates	19	668	493
Share-based payments	14	(1,916)	(18)
Amortisation of intangible assets	16	(4,534)	(5,395)
Exceptional gains	8	31,050	674
Exceptional costs	8	(2,045)	(7,076)
Contingent consideration	24	710	544
Group operating profit	5	72,584	23,912
Finance costs	6	(2,709)	(3,134)
Finance income	7	14	144
Net finance costs		(2,695)	(2,990)
Profit before tax		69,889	20,922
Taxation charge	15	(7,985)	(4,596)
Profit for the year		61,904	16,326
Attributable to:			
Owners of the parent		61,941	16,326
Non-controlling interest		(37)	–
Earnings per Share expressed in pence per share:			
Basic	11	59.6	15.9
Diluted	11	59.2	15.7

The notes on pages 101 to 149 form part of these Financial Statements.

Group Statement of Comprehensive Income

for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Profit for the year		61,904	16,326
Items not to be reclassified to profit and loss in subsequent periods:			
Revaluation of financial assets not recycled through Income Statement	18	(1,557)	–
Tax on revaluation		(132)	–
		(1,689)	–
Total other comprehensive loss for the year, net of tax		(1,689)	–
Total comprehensive income for the year, net of tax		60,215	16,326
Attributable to:			
Owners of the parent		60,252	16,326
Non-controlling interest		(37)	–

The notes on pages 101 to 149 form part of these Financial Statements.

Group Balance Sheet

as at 31 December 2021

Company No. 05114014

	Note	2021 £'000	2020 £'000
Non-current assets			
Goodwill	16	160,865	159,863
Other intangible assets	16	29,604	27,894
Property, plant and equipment	17	37,070	42,741
Financial assets	18	5,748	9,561
Investments in joint ventures and associates	19	1,610	11,406
Contract assets	20	733	433
Total non-current assets		235,630	251,898
Current assets			
Trade and other receivables	21	33,829	28,438
Contract assets	20	424	253
Current tax assets		1,142	184
Cash and cash equivalents	22	48,464	11,443
Total current assets		83,859	40,318
Total assets		319,489	292,216
Current liabilities			
Financial liabilities	24	(8,523)	(12,466)
Trade and other payables	23	(64,206)	(72,936)
Provisions for liabilities	25	(775)	(2,998)
Total current liabilities		(73,504)	(88,400)
Non-current liabilities			
Financial liabilities	24	(22,602)	(40,060)
Deferred tax liability	15	(2,073)	(1,822)
Provisions for liabilities	25	(3,191)	(4,180)
Total non-current liabilities		(27,866)	(46,062)
Total liabilities		(101,370)	(134,462)
Net assets		218,119	157,754
Equity			
Share capital	27	210	210
Share premium account	28	5,629	5,629
Share-based payment reserve	28	5,263	3,942
Shares held by EBT	2,28	(3,063)	(5,012)
Fair value reserve	28	(15,273)	(13,584)
Retained earnings		224,832	166,569
Total equity attributable to owners of the parent		217,598	157,754
Non-controlling interest		521	–
Total equity		218,119	157,754

The notes on pages 101 to 149 form part of these Financial Statements.

The Financial Statements were approved by and signed on behalf of the Board by:

David Stewart
Group Chief Executive Officer
15 March 2022

Adam Castleton
Group Chief Financial Officer
15 March 2022

Group Statement of Cash-Flows

for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Profit before tax		69,889	20,922
Adjustments for:			
Exceptional operating items and contingent consideration		(29,716)	5,857
Depreciation of tangible assets		12,500	13,929
Amortisation of intangible assets	16	4,534	5,395
Share-based payments	14	1,916	18
Profit on disposal of fixed assets	9	(1,061)	(15)
Income from joint ventures and associates	19	(668)	(493)
Finance income	7	(14)	(144)
Finance costs	6	2,709	3,134
Operating cash-flows before movements in working capital		60,089	48,603
Movements in working capital			
(Increase)/decrease in trade and other receivables		(3,439)	8,553
(Decrease)/increase in trade and other payables		(8,919)	13,606
Decrease in provisions		(3,213)	(1,474)
		(15,571)	20,685
Cash generated from operations		44,518	69,288
Interest paid		(2,554)	(2,581)
Income taxes paid		(8,528)	(6,093)
Exceptional costs paid		(2,045)	(7,311)
Net cash generated from operating activities		31,391	53,303
Cash-flows used in investing activities			
Acquisitions of subsidiaries and other businesses, net of cash acquired	30	(730)	(293)
Payment of contingent consideration		(2,462)	(169)
Investment in joint venture		(2,477)	–
Investment in financial assets	18	(14)	(418)
Dividend received from joint venture		1,178	–
Cash received on sale of joint venture	18	41,349	–
Receipt of lease income		20	–
Purchase of property, plant and equipment and intangible assets	16,17	(6,902)	(4,050)
Proceeds from sale of property, plant and equipment	17	431	138
Net cash generated/(expended) on investing activities		30,393	(4,792)
Cash-flows used in financing activities			
(Repayment)/drawdown of loans	13	(13,000)	(28,883)
Payment of deferred consideration		(122)	(80)
Payment of lease liabilities		(8,922)	(8,304)
Receipt of lease income		–	23
Proceeds from exercise of share options		1,447	176
Dividends paid	12	(4,166)	–
Net cash expended in financing activities		(24,763)	(37,068)
Net increase/(decrease) in cash and cash equivalents		37,021	11,443
Cash and cash equivalents at the end of the year		48,464	11,443

The notes on pages 101 to 149 form part of these Financial Statements.

Group Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Shares held by EBT £'000	Fair value reserve £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2021	**210**	**5,629**	**3,942**	**(5,012)**	**(13,584)**	**166,569**	**157,754**	**–**	**157,754**
Profit for the year	–	–	–	–	–	61,941	**61,941**	(37)	**61,904**
Revaluation of financial assets	–	–	–	–	(1,557)	–	**(1,557)**	–	**(1,557)**
Tax on revaluations	–	–	–	–	(132)	–	**(132)**	–	**(132)**
Total comprehensive income for the year	–	–	–	–	**(1,689)**	**61,941**	**60,252**	**(37)**	**60,215**
Acquisition of subsidiary	–	–	–	–	–	–	–	558	**558**
Issued share capital in the year	–	–	–	–	–	–	**–**	–	**–**
Exercise of options	–	–	(990)	1,949	–	488	**1,447**	–	**1,447**
Dividend paid	–	–	–	–	–	(4,166)	**(4,166)**	–	**(4,166)**
Share-based payments	–	–	1,916	–	–	–	**1,916**	–	**1,916**
Tax on share-based payments	–	–	395	–	–	–	**395**	–	**395**
At 31 December 2021	**210**	**5,629**	**5,263**	**(3,063)**	**(15,273)**	**224,832**	**217,598**	**521**	**218,119**

During the year ended 31 December 2021, the Trust acquired nil LSL shares. During the period, 555,824 share options were exercised relating to LSL's various share option schemes resulting in the shares being sold by the Trust. LSL received £1.4m on exercise of these options.

The notes on pages 101 to 149 form part of these Financial Statements.

for the year ended 31 December 2020

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Shares held by EBT £'000	Fair value reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	208	5,629	4,429	(5,224)	(13,584)	149,758	141,216
Profit for the year	–	–	–	–	–	16,326	16,326
Total comprehensive income for the year	–	–	–	–	–	16,326	16,326
Issued share capital in the year	2	–	–	–	–	–	2
Exercise of options	–	–	(80)	212	–	44	176
Share-based payments	–	–	(423)	–	–	441	18
Tax on share-based payments	–	–	16	–	–	–	16
At 31 December 2020	210	5,629	3,942	(5,012)	(13,584)	166,569	157,754

During the year ended 31 December 2020, the Trust acquired 167,083 LSL shares. During the period, 60,565 share options were exercised relating to LSL's various share option schemes resulting in the shares being sold by the Trust. LSL received £0.2m on exercise of these options.

The notes on pages 101 to 149 form part of these Financial Statements.

Notes to the Group Financial Statements

for the year ended 31 December 2021

1. Authorisation of Financial Statements and statement of compliance with IFRS

The Financial Statements of LSL and its subsidiaries for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 15 March 2022 and the *Group Balance Sheet* was signed on the Board's behalf by David Stewart, Group Chief Executive Officer and Adam Castleton, Group Chief Financial Officer. LSL is a premium listed company, listed on the London Stock Exchange, incorporated and domiciled in England and the Group operates Financial Services, Surveying & Valuation and Estate Agency businesses.

2. Accounting policies, judgements and estimates

2.1 Basis of preparation

The accounting policies which follow set out those significant policies which apply in preparing the Financial Statements for the year ended 31 December 2021. The policies have been applied consistently to all years presented. The Financial Statements are presented in pound sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

These Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the *Companies Act 2006* and UK adopted International Accounting Standards.

These Financial Statements have been prepared on a going concern basis and on a historical cost basis, except for certain debt and equity financial assets that have been measured at fair value.

The Directors have considered the Group's current and future prospects, risks and uncertainties set out in the risk management objectives and policies, and its availability of financing, and are satisfied that the Group can continue to pay its liabilities as they fall due for the period to 31 March 2023. For this reason, the Directors continue to adopt the going concern basis of preparation for these Financial Statements. Further detailed information is provided in the going concern statement in the *Report of the Directors*.

In preparing the Financial Statements management has considered the impact of climate change, taking into account the relevant disclosures in the *Strategic Report*, including those made in accordance with the recommendations of the *Taskforce on Climate-related Financial Disclosures* (TCFD). Recognising that the environmental impact of the Group's operations is relatively low, no issues were identified that would impact the carrying values of the Group's assets or have any other impact on the Financial Statements.

2.2 Basis of consolidation

The consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries at 31 December 2021. The financial year represents the year from 1 January 2021 to 31 December 2021.

Subsidiaries

Subsidiaries are consolidated from the date that control commences until the date control ceases. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Interest in joint ventures and associates

The Group's share of the results of joint ventures and associates is included in the *Group Income Statement* using the equity method of accounting. Investments in joint ventures and associates are carried in the *Group Balance Sheet* at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is not tested for impairment individually. Unrealised gains and losses resulting from transactions between the Group and the joint venture or associate are eliminated to the extent of the interest in the joint venture or associate.

In addition, when there has been a change recognised directly in the equity of the joint venture or associate, the Group recognises its share of any changes, when applicable, in the *Statement of Changes in Equity*.

The Financial Statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.3 Business combinations and goodwill

The Group accounts for all business combinations by applying the acquisition method. All acquisition-related costs are expensed. On acquisition, the assets (including intangible assets), liabilities and contingent liabilities of an acquired entity are measured at their fair values. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis.

2. Accounting policies, judgements and estimates (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the *Group Income Statement* in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Where a put and call option is transacted over a non-controlling interest independently of a business combination, the present value of the exercise price of the put and call option is recorded as a liability with a debit to equity. Subsequent movements in the assessment of the exercise price are taken to profit and loss. If the put option lapses, the liability is derecognised with a corresponding adjustment to equity.

Goodwill arising on consolidation represents the excess of the consideration transferred over the net fair value of the Group's share of the net assets, liabilities and contingent liabilities of the acquired subsidiary, joint venture or associate and the fair value of the non-controlling interest in the acquiree. If the consideration is less than the fair value of the Group's share of the net assets, liabilities and contingent liabilities of the acquired entity (i.e. a bargain purchase), the difference is credited to the *Group Income Statement* in the period of acquisition.

At the acquisition date of a subsidiary, goodwill acquired is recognised as an asset and is allocated to each of the cash generating units or groups of cash-generating units expected to benefit from the business combination's synergies and to the lowest level at which management monitors the goodwill. Goodwill arising on the acquisition of joint ventures and associates is included within the carrying value of the investment. On disposal of a subsidiary, joint venture or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.4 Revenue recognition

Revenue is recognised under IFRS 15. The standard is based on a single model that distinguishes between promises to a customer that are satisfied at a point in time and those that are satisfied over time. Revenue is recognised when control of a good or service transfers to a customer. IFRS 15 focuses on control with risk and rewards as an indicator of control.

Financial Services income

Revenue from mortgage procuration fees is recognised by reference to the completion date of the mortgage/remortgage on the housing transaction. Revenue from insurance sales is recognised at a point in time by reference to the date that the policy goes on risk. The lapse provision is recognised as a reduction in revenue which is based on historic lapses which have occurred. Lapse provisions are recorded within trade and other payables.

Rendering of services

Revenue from the exchange fees in the Residential Sales business is recognised by reference to the legal exchange date of the housing transaction. Revenues from the supply of Surveying & Valuation are recognised upon the completion of the professional survey or valuation by the surveyor, and therefore at a point in time. Revenue from Lettings, Asset Management and conveyancing services is recognised on completion of the service being provided, and therefore at a point in time. Management services relating to Lettings and Asset Management are recognised over time using the time basis approach. The costs incurred from obtaining a contract and payable to the customer are capitalised and held under contract assets in the *Group Balance Sheet* and amortised into revenue over the contract term.

Interest income

Revenue is recognised at a point in time as interest accrues (using the effective interest method – that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Rental income

Rental income including the effect of lease incentives from sub-let properties is recognised either at a point in time on a straight-line basis over the lease term for operating leases or by recognising in the *Group Balance Sheet* a lease receivable equal to the investment in the lease for finance leases. Sub-leases are assessed as finance leases or operating leases in reference to the right of use asset the lease generates.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

2. Accounting policies, judgements and estimates (continued)

2.5 Segment reporting

An operating segment is a distinguishable segment of an entity that engages in business activities from which it may earn revenues and incur expenses and whose operating results are reviewed regularly by the Board. The Board reviews the Group's operations and financial position as Financial Services, Surveying & Valuation and Estate Agency, and therefore considers that it has three operating segments. The information presented to the Directors directly reflects the Group Underlying Operating Profit as defined in the alternate performance measures in note 5 to these Financial Statements and they review the performance of the Group by reference to the results of the operating segments against budget.

2.6 Alternative Performance Measures (APMs)

In the analysis of the Group's financial performance, LSL reports a number of APMs that are designed to assist with the understanding of the underlying performance of the Group. The Group seeks to present a measure of underlying performance which is not impacted by the inconsistency in profile of exceptional gains and exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments. These measures are not defined under IFRS and, as a result, may not be directly comparable with other companies' non-GAAP measures. Share-based payments are excluded from the underlying performance due to the fluctuations that can impact the charge, such as lapses and the level of annual grants. They are not designed to be a substitute for any of the IFRS measures of performance. The principal APMs used within the consolidated Financial Statements and the location of the reconciliations to equivalent IFRS measures are:

- Group Underlying Operating Profit (reconciled in note 5 to these Financial Statements).
- Adjusted Basic EPS (reconciled in note 11 to these Financial Statements).
- Adjusted Diluted EPS (reconciled in note 11 to these Financial Statements).

The Directors consider that these adjusted measures give a better and more consistent indication of the Group's underlying performance; these measures form part of Management's internal financial review and are contained within the monthly management information reports reviewed by the Board.

In prior periods the Group disclosed Adjusted EBITDA as an additional APM. This is no longer disclosed as an APM of the Group as it is no longer a relevant metric which Management monitors to gain a better and more consistent understanding of the Group's underlying performance.

2.7 Income taxes

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

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

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

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

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

2. Accounting policies, judgements and estimates (continued)

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

2.8 Share-based payment transactions

The equity share option programme allows Group employees to acquire LSL shares. The fair value of the options granted is recognised as an employee expense with a corresponding increase in equity in the case of equity-settled schemes. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of employee share option plans, which are all equity-settled, is calculated at the grant date using the Black Scholes model. The resulting cost is charged to the *Group Income Statement* over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-market vested condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 11 to these Financial Statements).

2.9 Shares held by EBT

The Group has an employee share scheme (**ESOT**) for the granting of LSL shares to Executive Directors and selected senior employees and an employee share incentive plan (**Trust**). Shares in LSL held by the ESOT and the Trusts are treated as treasury shares and presented in the *Group Balance Sheet* as a deduction from equity. No gain or loss is recognised in the *Group Income Statement* on the purchase, sale, issue or cancellation of the Group's own equity instruments. The finance costs and administration costs relating to the ESOT and the Trusts are charged to the *Group Income Statement*. Dividends earned on shares held in the ESOT and the Trusts have been waived. The ESOT and Trust shares are ignored for the purposes of calculating the Group's EPS.

2.10 Exceptional items

An exceptional item is considered to be non-recurring and unusual in nature. These items are presented within their relevant *Group Income Statement* category but highlighted separately on the face of the *Group Income Statement*. Items that management considers fall into this category are also disclosed within a note to the Financial Statements (see note 8 to the Financial Statements).

Due to the nature and expected infrequency of these items, separate presentation helps provide a better indication of the Group's underlying business performance. This allows shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

2.11 Intangible assets

Intangible assets such as brand names, lettings contracts, customer relationships and in-house software are measured at cost less accumulated amortisation and impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the *Group Income Statement* when the asset is derecognised.

The useful lives of intangible assets are assessed as either finite or indefinite.

Brand names are not amortised as the Directors are of the opinion that they each have an indefinite useful life based on the expectation that there is no foreseeable limit to the period over which each of the assets are expected to generate net cash inflows to the businesses. Intangible assets with indefinite useful lives are assessed annually for impairment. The Directors are confident that trademark registration renewals will be filed at the appropriate time and sufficient investment will be made in terms of marketing and communication to maintain the value inherent in the brands, without incurring significant cost. All brands recognised have been in existence for a number of years and are not considered to be at risk of obsolescence from technical, technological nor commercial change. Whilst operating in competitive markets they have demonstrated that they can continue to operate in the face of such competition and that there is expected to remain an underlying market demand for the services offered. The lives of these brands are not dependent on the useful lives of other assets of the entity.

2. Accounting policies, judgements and estimates (continued)

All other intangible assets are amortised on a straight-line basis over their useful economic lives of 12 months for order books, two years for customer contracts, five years for lettings contracts, between three and five years for in-house software and ten years for franchise agreements.

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash-flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the *Group Income Statement* in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash generating unit's recoverable amount.

2.13 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment is depreciated on a straight-line basis to its residual value over its anticipated useful economic life:

Office equipment, fixtures and fittings	– over three to seven years
Computer equipment	– over three to four years
Motor vehicles	– over three to four years
Leasehold improvements	– over the shorter of the lease term or ten years
Freehold and long leasehold property	– over 50 years or the lease term whichever is shorter

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the *Group Income Statement* when the asset is derecognised. These assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

2.14 Dividends

Equity dividends are recognised when they become legally payable. In the case of interim dividends to shareholders, this is when paid. In the case of final dividends, this is when approved by shareholders at each AGM.

2.15 Leases

Leases are defined as a contract which gives the right to use an asset for a period of time in exchange for consideration. As a lessee, the Group recognises three classes of leases on this basis:

- Property leases.
- Motor vehicle leases.
- Other leases.

Property leases and motor vehicle leases have been recognised on the *Group Balance Sheet*, in financial liabilities, by recognising the future cash-flows of the lease obligation, discounted using the incremental borrowing rate of the Group, adjusted for factors such as swap rates available and the credit risk of the entity entering into the lease.

Corresponding right of use assets have been recognised in the *Group Balance Sheet* under property, plant and equipment and have been measured as being equal to the discounted lease liability plus any lease payments made at or before the inception of the lease and initial direct costs, less any lease incentives received. Cash-flows from these leases have been recognised by including the principal portion of the lease payments in cash-flows from financing activities and the interest portion of the lease payment recognised through operating activities.

2. Accounting policies, judgements and estimates (continued)

Other leases are leases for low value items (less than $5,000) or leases whose contract term is less than 12 months. The practical expedient not to recognise right of use assets and lease liabilities for these leases has been utilised by the Group. A charge for these leases has been recognised through the *Group Income Statement* as an operating expense. The cash-flows relating to low value and short term leases have been recognised in net cash-flows from operating activities.

No leases where the Group is a lessee, or a lessor contain variable lease payments.

For sub-leases where the Group is an intermediate lessor, the Group has assessed whether the sub-lease is an operating lease or finance lease in respect to the right of use asset generated by the head lease. It has performed this assessment on a lease-by-lease basis. The Group has both finance leases and operating leases based on this assessment, and sub-lease assets are recognised in financial assets (further details are given in note 26 to these Financial Statements).

2.16 Pensions

The Group operates a defined contribution pension scheme for employees of all Group companies. The assets of the scheme are invested and managed independently of the finances of the Group. The pension cost charge represents contributions payable in the year.

2.17 Provisions

A provision is recognised in the *Group Balance Sheet* when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash-flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

2.18 Financial instruments

Financial assets and financial liabilities are recognised in the *Group Balance Sheet* when the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Financial assets are derecognised when the Group no longer has the rights to cash-flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

The subsequent measurement of financial assets depends on their classification.

The Group's accounting policy for each category of financial instruments is as follows:

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IFRS 9 Financial Instruments and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets designated at fair value through profit and loss
Gains and losses arising from the changes in the fair value of equity investments are recognised through the profit and loss.

Cash and short term deposits
Cash and short-term deposits in the *Group Balance Sheet* and *Cash-Flow Statement* comprise cash at bank and in hand and short-term deposits with an original maturity period of three months or less.

Trade receivables
Trade receivables do not carry any interest and are stated at their original invoiced value as reduced by appropriate allowances for estimated irrecoverable amounts. The expected credit loss model under IFRS 9 is applied to trade and other receivables. The chosen method of recognising the expected credit loss across the Group is the simplified approach allowing a provision matrix to be used, which is based on the expected life of trade receivables and historic default rates. Default being defined as when impaired debts are assessed as uncollectable. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

2. Accounting policies, judgements and estimates (continued)

Trade payables
Trade payables are stated in the *Group Balance Sheet* at their original invoice value.

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs. Finance costs comprise interest payable on borrowings calculated at the effective interest rate method and recognised on an accruals basis. Borrowing costs are recognised as an expense when incurred.

2.19 Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in operating costs within the *Group Income Statement* over the period necessary to match on a systematic basis to the costs that it is intended to compensate.

Government grants have been recognised in relation to the COVID-19 pandemic. These comprise amounts receivable under the Coronavirus Job Retention Scheme (CJRS) and amounts receivable under the Retail, Hospitality and Leisure Grant (RHLG) Fund.

CJRS comprises grants receivable in relation to the costs incurred by the Group for furloughed employees and is recognised in the *Group Income Statement*, within operating costs, in the same period as the related costs and when there is reasonable assurance that the grant will be received.

RHLG comprises grants receivable in relation to retail properties used for Estate Agency and Lettings and is recognised in the *Group Income Statement*, within operating costs, in the same period as the related costs and when there is reasonable assurance that the grant will be received.

2.20 Judgements and estimates
The preparation of the Financial Statements requires Management to make judgements, estimates and assumptions in applying the Group's accounting policies to determine the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

Judgements
Critical judgements, apart from those involving estimations, that are applied in the preparation of the consolidated Financial Statements are discussed below:

Deferred tax
The Group recognises deferred tax assets on all applicable temporary differences where it is probable that future taxable profits will be available for utilisation. This requires Management to make judgements and assumptions regarding the amount of deferred tax that can be recognised based on the magnitude and likelihood of future taxable profits. The carrying amount of deferred tax assets is reviewed at each *Group Balance Sheet* date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax liabilities are provided for in full.

Exceptional items
The Group presents as exceptional items on the face of the *Group Income Statement* those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Estimates
The key assumptions affected by future uncertainty that have significant risks of causing material adjustment to the carrying value of assets and liabilities within the next financial year are:

2. Accounting policies, judgements and estimates (continued)

Lapse provision
Certain subsidiaries sell life assurance products which are cancellable without a notice period, and if cancelled within a set period require that a portion of the commission earned must be repaid. The lapse provision is recognised as a reduction in revenue which is based on historic lapses which have occurred. Details of the assumptions applied to lapse provisions are disclosed in note 23 to these Financial Statements.

Professional indemnity (PI) claims
Details of the assumptions applied to PI claims areas are disclosed in notes 8 and 25 to these Financial Statements. A sensitivity calculation which illustrates the impact of different assumptions on the required PI Costs provision is included in note 25.

Valuation of financial assets
The Group uses valuation techniques to measure fair value of financial assets, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value of equity financial assets that are not traded in the open market are valued using the best information available in the circumstances, including cash-flow forecasts and financial statements, to arrive at the fair value. Where appropriate a range of potential outcomes is considered in reaching a conclusion. Further details of the methodology used are disclosed in note 18 to these Financial Statements. A sensitivity calculation which shows the impact of changes in assumption is shown in note 32.

Impairment of intangible assets
The Group determines whether indefinite life intangible assets (including goodwill) are impaired on an annual basis and this requires an estimation of the value-in-use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash-flows and choosing a suitable discount rate (see note 16 to these Financial Statements).

Contingent consideration
In accordance with the accounting standards, estimates have been made with regard to the future profitability of these acquisitions and a provision for the cost of acquiring these interests has been recognised. The provisions are disclosed in note 24 to these Financial Statements. A sensitivity calculation which shows the impact of changes in assumption is shown in note 32 to these Financial Statements.

Income tax
The Group will pay income taxes based on the tax computations of the subsidiary entities. While the outcome of these tax computations cannot be determined with certainty until the completion of subsidiary accounts, Management's estimates of income taxes are used to determine the tax charges and provisions carried by the Group. The estimated tax charges are calculated having taken consideration of the tax impact of significant transactions within the Group during the respective accounting period, significant transactions during the current year were the profits made on the sale of subsidiary companies on which the *Substantial Shareholding Exemption* has been claimed. Management also use their existing knowledge of the tax profile of the Group's recurring trading activities and review prior year tax computations to estimate the likely amount of permanent disallowable expenditure.

2.21 New standards and interpretations not applied
The International Accounting Standards Board (IASB) has issued no new standards that are not yet effective that are expected to impact the Financial Statements of the Group.

3. Disaggregation of revenue

Set out below is the disaggregation of the Group's Revenue from contracts with customers:

Year ended 31 December 2021

	Financial Services £'000	Surveying & Valuation £'000	Residential Sales exchange £'000	Lettings £'000	Asset Management £'000	Other £'000	Total £'000
Timing of revenue recognition							
Services transferred at a point in time	84,818	93,699	71,737	32,268	2,217	11,162	295,901
Services transferred over time	–	–	–	29,783	1,148	–	30,931
Total revenue from contracts with customers	**84,818**	**93,699**	**71,737**	**62,051**	**3,365**	**11,162**	**326,832**

Year ended 31 December 2020

	Financial Services £'000	Surveying & Valuation £'000	Residential Sales exchange £'000	Lettings £'000	Asset Management £'000	Other £'000	Total £'000
Timing of revenue recognition							
Services transferred at a point in time	70,845	77,125	48,821	29,211	2,602	7,592	236,196
Services transferred over time	–	–	–	29,390	1,156	–	30,546
Total revenue from contracts with customers	70,845	77,125	48,821	58,601	3,758	7,592	266,742

	2021 £'000	2020 £'000
Revenue from services	326,832	266,742
Operating revenue	326,832	266,742
Rental income	937	783
Other operating income	937	783
Total revenue	327,769	267,525

4. Segment analysis of revenue and operating profit

For the year ended 31 December 2021 LSL has reported three operating segments: Financial Services; Surveying & Valuation; and Estate Agency:

- The Financial Services Division is a provider of services to mortgage intermediaries and specialist mortgage and insurance advice to estate agency and new build customers.
- The Surveying & Valuation Division provides a valuations and professional surveying service of residential properties to various lenders and individual customers.
- The Estate Agency Division provides services related to the sale and letting of residential properties. It operates a network of high street branches, arranges conveyancing services and for a range of lenders provides repossession and asset management services.

Operating segments

Each reportable segment has various products and services and the revenue from these products and services are disclosed on pages 11 to 17 under the *Business Review* section of the *Strategic Report*.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in these Financial Statements. Head office costs, Group financing (including finance costs and finance incomes) and income taxes are managed on a Group basis and are not allocated to operating segments.

4. Segment analysis of revenue and operating profit (continued)

Reportable segments

The following table presents revenue and profit information regarding the Group's reportable segments for the financial year ended 31 December 2021 and financial year ended 31 December 2020 respectively.

Year ended 31 December 2021

	Financial Services £'000	Surveying & Valuation £'000	Estate Agency £'000	Unallocated £'000	Total £'000
Income Statement information					
Revenue from external customers	84,818	93,699	148,315	–	**326,832**
Introducers' fee	(6,287)	–	6,287	–	**–**
Total revenue	78,531	93,699	154,602	–	**326,832**
Segmental result:					
– Group Underlying Operating Profit	14,787	23,609	18,430	(7,507)	**49,319**
– Operating Profit	9,976	24,721	46,464	(8,577)	**72,584**
Finance income					**14**
Finance costs					**(2,709)**
Profit before tax					**69,889**
Taxation					**(7,985)**
Profit for the year					**61,904**
Balance sheet information					
Segment assets – intangible	20,779	11,086	158,531	73	**190,469**
Segment assets – other	9,891	12,772	55,046	51,311	**129,020**
Total segment assets	30,670	23,858	213,577	51,384	**319,489**
Total segment liabilities	(25,343)	(20,621)	(50,130)	(5,276)	**(101,370)**
Net assets / (liabilities)	**5,327**	**3,237**	**163,447**	**46,108**	**218,119**
Other segment items					
Capital expenditure including intangible assets	(1,086)	(657)	(5,157)	(2)	**(6,901)**
Depreciation	(824)	(1,926)	(9,746)	(4)	**(12,500)**
Amortisation of intangible assets	(2,496)	(382)	(1,656)	–	**(4,534)**
Exceptional gains	–	1,641	29,409	–	**31,050**
Exceptional costs	(2,045)	–	–	–	**(2,045)**
Share of results in joint ventures and associates	(869)	–	1,537	–	**668**
PI Costs provision	–	3,907	–	–	**3,907**
Onerous leases provision	–	–	59	–	**59**
Share-based payment	(270)	(147)	(430)	(1,069)	**(1,916)**

In the year the Group sold its interests in the two joint ventures recorded in the Estate Agency Division, results for these joint ventures are recorded to their disposal dates. The Group acquired an interest in a joint venture in the Financial Services Division during April 2021.

Unallocated net assets comprise intangible assets and plant and equipment £0.1m, other assets £3.0m, cash £48.5m, accruals and other payables £3.4m, current and deferred tax liabilities £2.1m. Unallocated result comprises costs relating to the Parent Company.

4. Segment analysis of revenue and operating profit (continued)

Year ended 31 December 2020

	Financial Services £'000	Surveying & Valuation £'000	Estate Agency £'000	Unallocated £'000	Total £'000
Income Statement information					
Revenue from external customers	70,845	77,125	118,772	–	266,742
Introducers' fee	(9,889)	–	9,889	–	–
Total revenue	60,956	77,125	128,661	–	266,742
Segmental result:					
– Group Underlying Operating Profit	12,287	16,193	12,071	(5,368)	35,183
– Operating Profit	10,679	14,680	3,802	(5,249)	23,912
Finance income					144
Finance costs					(3,134)
Profit before tax					20,922
Taxation					(4,596)
Profit for the year					16,326
Balance sheet information					
Segment assets – intangible	17,109	11,280	159,367	–	187,756
Segment assets – other	7,935	13,571	68,993	13,961	104,460
Total segment assets	25,044	24,851	228,360	13,961	292,216
Total segment liabilities	(26,010)	(27,398)	(63,640)	(17,414)	(134,462)
Net assets/(liabilities)	(966)	(2,547)	164,720	(3,453)	157,754
Other segment items					
Capital expenditure including intangible assets	(694)	(154)	(3,202)	–	(4,050)
Depreciation	(757)	(2,173)	(10,999)	–	(13,929)
Amortisation of intangible assets	(1,507)	(459)	(3,429)	–	(5,395)
Exceptional gains	–	674	–	–	674
Exceptional costs	(1,992)	(1,992)	(319)	(2,773)	(7,076)
Share of results in joint ventures and associates	(821)	–	1,314	–	493
PI Costs provision	–	(7,042)	–	–	(7,042)
Onerous leases provision	–	–	(136)	–	(136)
Share-based payment	(100)	97	(135)	120	(18)

The joint venture interests of the Group are recorded in the Estate Agency segment, with the associate interest recorded in the Financial Services segment.

Unallocated net liabilities comprise other assets £2.5m, cash £11.4m, accruals and other payables £2.6m, current and deferred tax liabilities £1.8m and revolving credit facility overdraft £13.0m. Unallocated result comprises costs relating to the Parent Company.

5. Adjusted performance measures (APMs)

In addition to the various performance measures defined under IFRS, the Group reports a number of alternative performance measures that are designed to assist with the understanding of the underlying performance of the Group, as defined in the accounting policies (note 2). Share-based payments are excluded from the underlying performance due to the fluctuations that can impact the charge, such as lapses and the level of annual grants.

In the prior year, costs relating to COVID-19 were separately identified and excluded from Group Underlying Operating Profit as the Directors considered that these adjusted measures shown give a better and more consistent indication of the Group's underlying performance. The most significant areas of costs relating to COVID-19 were employee costs and property and related asset costs. In 2021, the Group has not incurred separately identifiable costs related to COVID-19 and has not excluded any from Group Underlying Operating Profit.

The three adjusted measures reported by the Group are:

- Group Underlying Operating Profit.
- Adjusted Basic EPS.
- Adjusted Diluted EPS.

The Directors consider that these adjusted measures shown above give a better and more consistent indication of the Group's underlying performance. These measures form part of Management's internal financial review and are contained within the monthly management information reports reviewed by the Board.

The calculations of Adjusted Basic and Adjusted Diluted EPS are given in note 11 to the consolidated Financial Statements.

	Note	**2021 £'000**	2020 £'000
Group operating profit	4	72,584	23,912
Share-based payments		1,916	18
Amortisation of intangible assets		4,534	5,395
Exceptional gains	8	(31,050)	(674)
Exceptional costs	8	2,045	7,076
Contingent consideration (credit)/charge	24	(710)	(544)
Group Underlying Operating Profit		49,319	35,183
Total costs related to COVID-19		–	6,358
Group Underlying Operating Profit (pre-COVID-19 costs)		49,319	41,541

6. Finance costs

	2021 £'000	2020 £'000
Interest on borrowings and RCF	1,048	1,203
Unwinding of discount on lease liabilities	1,507	1,594
Unwinding of discount on contingent consideration	154	335
Unwinding of discount on professional indemnity provision	–	2
	2,709	3,134

7. Finance income

	2021 £'000	2020 £'000
Finance income on sub-lease assets	9	1
Loan note interest	–	143
Other interest	5	–
	14	144

8. Exceptional items

	2021 £'000	2020 £'000
Exceptional costs:		
Exceptional costs in relation to investment in joint venture	1,179	–
Embrace Financial Services Limited restructuring project	714	–
Branch/centre closure and restructuring costs including redundancy costs	–	2,312
Aborted merger deal costs	–	2,350
Dissolution and impairment of associate Mortgage Gym Limited	152	1,992
Other	–	422
	2,045	7,076
Exceptional gains:		
Exceptional gain in relation to historic PI Costs	(1,641)	(674)
Exceptional gain in relation to sale of joint ventures	(29,409)	–
	(31,050)	(674)

Exceptional costs

Exceptional costs in relation to investment in joint venture
Costs relating to class 1 circular and set up of Pivotal Growth.

There were £1.2m (2020: nil) of non-recurring and material exceptional costs relating to the formation of Pivotal Growth, a new joint venture. No further costs are expected in relation to this.

Embrace Financial Services Limited restructuring project
There were £0.7m (2020: nil) of non-recurring and material exceptional costs relating to the restructure of Embrace Financial Services Limited. No further costs are expected in relation to this.

Dissolution of associate Mortgage Gym Limited
The Mortgage Gym Limited associate went into administration in February 2021 and prior to this the Group held £2.0m on its balance sheet as an investment in associate. The Group recognised an impairment for the full value of its holding in Mortgage Gym Limited in the financial statements included in the *Annual Report and Accounts 2020* since the events and conditions (insufficient funds to continue trading) that led to Mortgage Gym Limited entering administration existed at 31 December 2020. Administrator fees connected to this were recognised in 2021. No further costs are expected in relation to this.

Exceptional gains

Provision for professional indemnity (PI) claims and insurance claim notification
The Group continued to make positive progress in settling historic PI claims, in which actual settlement costs have been lower than expected, and therefore there has been a release of £1.6m in 2021 (December 2020: £0.7m) in relation to exceptional PI claims.

Disposal of interest in joint ventures
In May 2021, the Group disposed of its 49.6% interest in Cybele Solutions Holdings Limited (LMS) for consideration of £12.0m. The net gain recognised on sale of LMS was £3.2m.

In August 2021, the Group disposed of its 32.34% interest in TM Group for consideration of £29.3m. The net gain recognised on sale of TM Group was £26.2m.

9. Profit before tax

Profit before tax is stated after charging:

	2021 £'000	2020 £'000
Auditor's remuneration (see note 10 to the Financial Statements)	755	616
Short term leases	2,333	1,468
Low value leases	412	538
Depreciation – owned assets	3,990	4,407
Depreciation – leased assets	8,510	9,522
(Gain) on sale of owned property, plant and equipment	(1,061)	(15)

10. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	2021 £'000	2020 £'000
Audit of these Financial Statements	129	98
Audit of subsidiaries	530	480
Total audit	659	578
Audit related assurance services (interim results review fee)	48	38
Other assurance services	48	–
	755	616

11. Earnings per Share (EPS)

Basic EPS amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

			2021			2020
	Profit after tax £'000	Weighted average number of shares	Per share amount pence	Profit after tax £'000	Weighted average number of shares	Per share amount pence
Basic EPS	61,941	103,912,148	59.6	16,326	102,939,680	15.9
Effect of dilutive share options		688,806			947,704	
Diluted EPS	61,941	104,600,954	59.2	16,326	103,887,384	15.7

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these Financial Statements.

The Directors consider that the adjusted earnings shown below give a better and more consistent indication of the Group's underlying performance:

	2021 £'000	2020 £'000
Group Underlying Operating Profit	49,319	41,541
Loss attributable to non-controlling interest	37	–
Net finance costs (excluding exceptional and contingent consideration items and discounting on lease liabilities)	(1,047)	(1,062)
Normalised taxation (tax rate 19%, 2020: 19%)	(9,171)	(7,691)
Adjusted profit after tax attributable to owners of the parent	39,138	32,788

11. Earnings per Share (EPS) (continued)

Adjusted Basic and Diluted EPS

	Adjusted profit after tax £'000	Weighted average number of shares	2021 Per share amount pence	Adjusted profit after tax £'000	Weighted average number of shares	2020 Per share amount pence
Adjusted Basic EPS	39,138	103,912,148	37.7	32,788	102,939,680	31.9
Effect of dilutive share options		688,806			947,704	
Adjusted Diluted EPS	39,138	104,600,954	37.4	32,788	103,887,384	31.6

12. Dividends paid and proposed

	2021 £'000	2020 £'000
Declared and paid during the year:		
2021 Interim: 4.0 pence per share	4,166	–
	4,166	–
Dividends on ordinary shares proposed (not recognised as a liability as at 31 December):		
Equity dividends on ordinary shares:		
Dividend: 7.4 pence per share (2021: nil)	7,689	–

13. Cash-flow from financing activities

	At 1 January 2021 £'000	Cash-flow £'000	Acquisitions £'000	Lease liability movements £'000	Unwind £'000	At 31 December 2021 £'000
Long term liabilities	36,407	(13,000)	–	(5,244)	1,507	19,670
Short term liabilities	10,672	(9,044)	–	6,819	–	8,447
	47,079	(22,044)	–	1,575	1,507	28,117

Long term liabilities

Long term liabilities relate to lease liabilities totalling £19.7m (2020: £23.4m).There was no outstanding bank loan in 2021 (2020: £13m).

Short term liabilities

Short term liabilities comprise lease liabilities totalling £8.4m (2020: £10.55m). There was no deferred consideration outstanding in 2021 (2020: £0.1m).

Lease liability movements comprise new leases entered into in the year, cancellation of leases and movements between non-current and current liabilities. This also includes movement for lease interest paid within the year of £1.5m.

14. Directors and employees

Remuneration of Directors

	2021 £'000	2020 £'000
Directors' remuneration (short term benefits)[1]	3,535	1,524
Contributions to money purchase pensions schemes (post-employment benefits)	2	9
Share-based payments charge on current incentive schemes	532	147
	4,069	1,680

Note:

1 Included within this amount is accrued bonuses of £0.9m (2020: nil). The number of Directors who were members of Group money purchase pension schemes during the year totalled 2 (2020: 2). The Directors did not exercise any share options in the current or prior year.

14. Directors and employees (continued)

Employee numbers and costs

The Group employs staff in its branches and head offices. Aggregate payroll costs of these employees were:

	2021 £'000	2020 £'000
Wages and salaries	174,567	140,526
Social security costs	19,171	14,878
Pension costs	7,678	6,231
Total employee costs	201,416	161,635
Subcontractor costs	853	820
Total employee and subcontractor costs	202,269	162,455
Share-based payment expense (see below)	1,916	18

Note:

Included within total employee costs in 2020 was £15.7m receivable under the Government's CJRS.

The average monthly FTE staff numbers (including Directors) during the year were:

	2021	2020
Financial Services	942	887
Surveying & Valuation	872	871
Estate Agency	2,262	2,260
	4,076	4,018

Share-based payments

The *Directors' Remuneration Policy* on pages 62 to 67 of the *Directors' Remuneration Report* details the policies in relation to share-based payments, which includes details on the Remuneration Committee's discretion to adjust the LTIP vesting outcomes if it considers that it is not reflective of the underlying performance of LSL.

Long term incentive plan

The Group operates a LTIP (an equity-settled share-based remuneration scheme) for certain employees. Under the LTIP, the options vest if the individual remains an employee of the Group after a three year period, unless the individual has left under certain 'good leaver' terms in which case the options may vest earlier and providing the performance conditions are met.

LTIP 2021 vesting conditions

50% of the options vest based on the TSR of LSL as compared to a comparator group of FTSE Small Cap, excluding investment trusts, over the three year performance period (1 January 2021 to 31 December 2023):

- if the Group is in the top 25% percentile, all of these options will vest;
- if the Group is at the median, 25% will vest;
- straight-line vesting between median and top 25% percentile; and
- below the median, no options vest.

50% of the options are based on LSL's Adjusted Basic EPS performance in financial year ending 31 December 2023:

- if 2023 Adjusted Basic EPS is equal to or over (≥) 31.5 pence – 100% vest;
- if 2023 Adjusted Basic EPS is equal to 25.6 pence – 25% vest;
- straight-line vesting between 25.6 pence and 31.5 pence; and
- if 2023 Adjusted Basic EPS is below 25.6 pence – no options vest.

14. Directors and employees (continued)

LTIP 2020 vesting conditions

50% of the options vest based on the TSR of LSL as compared to a comparator group of FTSE Small Cap, excluding investment trusts, over the three year performance period (9 November 2020 to 9 November 2023):

- if the Group is in the top 25% percentile, all of these options will vest;
- if the Group is at the median, 25% will vest;
- straight-line vesting between median and top 25% percentile; and
- below the median, no options vest.

50% of the options are based on LSL's Adjusted Basic EPS performance in financial year ending 31 December 2022:

- if 2022 Adjusted Basic EPS is equal to or over (≥) 31.5 pence – 100% vest;
- if 2022 Adjusted Basic EPS is equal to 25.6 pence – 25% vest;
- straight-line vesting between 25.6 pence and 31.5 pence; and
- if 2022 Adjusted Basic EPS is below 25.6 pence – no options vest.

LTIP 2019 vesting conditions

30% of the options vest based on the TSR of LSL as compared to a comparator group of 21 companies in similar or related sectors over the three year performance period:

- if the Group is in the top 25% percentile, all of these options will vest;
- if the Group is at the median, 25% will vest;
- straight-line vesting between median and top 25% percentile; and
- below the median, no options vest.

70% of the options are based on the Adjusted Basic EPS performance over the three financial years starting with the financial year in which the LTIP award is granted:

- if growth is equal to or over (≥) 12.0% p.a. – 100% vest;
- if growth is 5.0% p.a. – 25% vest;
- straight-line vesting between 5.0% p.a. and 12.0% p.a.; and
- if growth is below 5.0% p.a. – no options vest.

LTIP 2018 vesting conditions

30% of the options vest based on the TSR of LSL as compared to a comparator group of 22 companies in similar or related sectors over the three year performance period:

- if the Group is in the top 25% percentile, all of these options will vest;
- if the Group is at the median, 25% will vest;
- straight-line vesting between median and top 25% percentile; and
- below the median, no options vest.

70% of the options are based on the Adjusted Basic EPS performance over the three financial years starting with the financial year in which the LTIP award is granted:

- if growth is equal to or over (≥) 13.0% p.a. – 100% vest;
- if growth is 7.5% p.a. – 25% vest;
- straight-line vesting between 7.5% p.a. and 13.0% p.a.; and
- if growth is below 7.5% p.a. – no options vest.

14. Directors and employees (continued)

	2021 Weighted average exercise price £	**2021** Number	2020 Weighted average exercise price £	2020 Number
Outstanding at 1 January	–	2,575,826	–	1,995,087
Granted during the year	–	652,289	–	1,210,792
Exercised during the year	–	(94,500)	–	(2,700)
Lapsed during the year	–	(655,170)	–	(627,353)
Outstanding at 31 December	–	2,478,445	–	2,575,826

There were 80,920 options exercisable at the end of the year (2020: 116,560). The weighted average remaining contractual life is 1.29 years (2020: 1.68 years). The weighted average fair value of options granted during the year was £3.63 (2020: £1.92). The weighted average share price of options at the date of their exercise was £3.50 (2020: £2.74).

Company stock option plan (CSOP)
The Group operates a CSOP (an equity-settled share-based remuneration scheme) for certain employees. Under the CSOP the options vest if the individual remains an employee of the Group after a three year period, unless the individual has left under certain 'good leaver' terms in which case the options may vest earlier.

	2021 Weighted average exercise price £	**2021** Number	2020 Weighted average exercise price £	2020 Number
Outstanding at 1 January	3.67	880,203	3.59	1,016,407
Granted during the year	–	–	–	–
Exercised during the year	3.47	(241,805)	2.77	(49,830)
Lapsed during the year	3.44	(87,542)	3.22	(86,374)
Outstanding at 31 December	3.76	550,867	3.67	880,203

There were 550,867 options exercisable at the end of the year (2020: 880,203). The average market value at the date of exercise was £4.42 (2019: £3.11).

Given that the scheme has vested, the weighted average remaining contractual life was 3.42 years (2020: 4.38 years).

SAYE (Save As You Earn) scheme
The Group has offered options under the SAYE scheme in each of 2011 to 2014, 2016 to 2019 and 2021 years. All these offers were open to all qualifying employees and provide for an exercise price equal to the daily average market price on the date of grant. The options will vest if the employee remains in service for the full duration of the option scheme (three years). There are no cash settlement alternatives.

	2021 Weighted average exercise price £	**2021** Number	2020 Weighted average exercise price £	2020 Number
Outstanding at 1 January	2.47	912,044	2.39	1,374,554
Granted during the year	3.27	698,615	–	–
Exercised	2.44	(219,519)	2.24	(8,035)
Lapsed during the year due to employee withdrawals	2.22	(276,561)	2.56	(454,475)
Outstanding at 31 December	3.04	1,114,579	2.47	912,044

The weighted average fair value of options granted during the year was £2.30 (2020: £nil) and the weighted average remaining contractual life was 1.92 years (2020: 0.67 years). The average market value at the date of exercise was £4.63 (2020: £2.85).

There were 186,161 (2020: nil) options exercisable at the end of the year.

14. Directors and employees (continued)

BAYE (Buy As You Earn) scheme

The matching shares element of the SIP/BAYE was introduced and provides participants with one matching share for every five partnership shares purchased. The matching shares are allocated from ordinary shares held by the Trust for the benefit of SIP/BAYE participants. The maximum saving under the scheme would be automatically capped at £150 per month (as per HMRC limits).

	2021		2020	
	Weighted average exercise price £	**Number**	Weighted average exercise price £	Number
Outstanding at 1 January	2.5	78,000	2.5	78,000
Granted during the year	–	–	–	–
Exercised	–	–	–	–
Lapsed during the year due to employee withdrawals	–	–	–	–
Outstanding at 31 December	2.5	78,000	2.5	78,000

There were nil options exercisable at the end of the year.

All-employee share award

The Group launched its first free share award under its SIP in 2020. The award was £500 per full time employee and a pro-rated award for all part time employees. This award offer was made to Group employees who had joined on or before 31 March 2020 and were still employed and not serving notice at the time the grant was made on 1 October 2020. The awards will normally become available for employees once they have been held in the SIP for three years or more. The weighted average fair value at grant was £2.19. There were nil options exercisable at the end of the year.

	2021		2020	
	Weighted average exercise price £	**Number**	Weighted average exercise price £	Number
Outstanding at 1 January	–	832,914	–	–
Granted during the year	–	–	–	832,914
Exercised	–	–	–	–
Lapsed during the year due to employee withdrawals	–	(128,698)	–	–
Outstanding at 31 December	–	704,216	–	832,914

Equity-settled transactions

The assumptions used in the estimation of the fair value of equity-settled options were as follows:

	LTIP 2021	**SAYE 2021**	LTIP 2020	Share award 2020
Option pricing model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes
Weighted average share price at grant date (£)	4.09	4.08	2.11	2.19
Exercise price (£)	–	3.27	–	–
Expected life of options (years)	3	3	3	3
Expected volatility (%)	100	100	100	100
Expected dividend yield (%)	2.94	2.94	3.20	3.20
Risk free interest rate (%)	0.00	0.00	0.63	0.63

The volatility assumption, measured at the standard deviation of expected share price returns, is based on statistical analysis of historical share price. The dividend yield assumption is based on the fact that the shares awarded are not eligible to receive dividends until the end of the vesting period.

14. Directors and employees (continued)

The total cost recognised for equity-settled transactions is as follows:

	2021 £'000	2020 £'000
Share-based payment expense during the year	1,916	18

A charge of £1.1m (2020: credit of £0.2m) relates to employees of the Company.

15. Taxation

(a) Tax on profit on ordinary activities

The major components of income tax charge in the *Group Income Statements* are:

	2021 **£'000**	2020 £'000
UK corporation tax – current year	7,873	5,111
– adjustment in respect of prior years	(251)	(409)
	7,622	4,702
Deferred tax:		
Origination and reversal of temporary differences	(179)	(597)
Changes in tax rates	562	243
Adjustment in respect of prior year	(20)	248
Total deferred tax (credit)	363	(106)
Total tax charge in the *Group Income Statement*	7,985	4,596

Corporation tax is recognised at the headline UK corporation tax rate of 19% (2020: 19%).

The opening deferred tax balances in the Financial Statements were measured at 19%. For the year ended 31 December 2021, a tax rate of 25% has been applied in line with rates enacted by the *Finance Act 2021* which was enacted on 10 June 2021. This gives rise to a debit to the profit and loss account of £0.6m.

The effective rate of tax for the year was 11.4% (2020: 22.0%). The effective tax rate for 2021 is lower than the headline UK tax rate for several reasons, the most significant being the profit on disposal of investments which are not taxable as they qualify for Substantial Shareholders Exemption.

Deferred tax debited directly to other comprehensive income is £0.1m (2020: £nil). Income tax credited directly to the share-based payment reserve is £0.4m (2020: £nil).

15. Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed in the profit and loss account is lower than (2020: higher than) the standard UK corporation tax rate, because of the following factors:

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	69,889	20,922
Tax calculated at UK standard rate of corporation tax rate of 19% (2020: 19%)	13,279	3,975
Non-deductible expenditure/(non-taxable income) from joint ventures and associates	(52)	(53)
Other disallowable expenses	431	769
Non-taxable gains on disposal of investments	(5,804)	–
Impact of movement in contingent consideration charged/(credited) to the *Group Income Statement*	(106)	(40)
Share-based payment relief	(55)	24
Brought forward losses not previously recognised	–	(161)
Impact of rate change on deferred tax	562	243
Prior period adjustments – current tax	(250)	(409)
Prior period adjustment – deferred tax	(20)	248
Total taxation charge	7,985	4,596

A major component of the disallowable expenditure is a permanent disallowance of depreciation on assets that do not qualify for capital allowances. This is a recurring adjustment and the tax impact in the year is £0.2m (2020: £0.2m). Another significant adjustment is the impact of exceptional expenditure, which is not taxable for tax purposes. The impact of this non-taxable expenditure is £5.2m (2020: not deductible of: £0.4m).

(c) Factors that may affect future tax charges (unrecognised)

	2021 £'000	2020 £'000
Unrecognised deferred tax asset relating to:		
Losses	2,973	2,393
	2,973	2,393

The deferred tax assets may be recoverable in the future and this is dependent on subsidiary companies generating taxable profits sufficient to allow the utilisation of these amounts. These deferred tax assets cannot be offset against profits elsewhere in the Group as they relate to losses brought forward which can only be offset against taxable profits arising from the same trade in which the losses arose. There is no time limit for utilisation of the above tax losses.

15. Taxation (continued)

(d) Deferred tax

An analysis of the movements in deferred tax is as follows:

	2021 £'000	2020 £'000
Net deferred tax liability at 1 January	1,822	1,805
Deferred tax liability arising on acquisitions and business combinations	313	104
Deferred tax on acquisition	(162)	–
Deferred tax liability recognised directly in other comprehensive income	132	19
Deferred tax liability recognised directly in equity	(395)	–
Deferred tax (credit) in *Group Income Statement* for the year (note 15a to these Financial Statements)	363	(106)
Net deferred tax liability at 31 December	2,073	1,822

Analysed as:

	2021 £'000	2020 £'000
Accelerated capital allowances	(1,578)	(1,460)
Deferred tax liability on separately identifiable intangible assets on business combinations	5,293	4,033
Deferred tax on financial assets	144	25
Deferred tax on share options	(993)	(241)
Other short term temporary differences	(312)	(287)
Trading losses recognised	(481)	(248)
	2,073	1,822

Deferred tax credit/(expense) in *Group Income Statement* relates to the following:

	2021 £'000	2020 £'000
Intangible assets recognised on business combinations	(948)	244
Accelerated capital allowance	76	(164)
Deferred tax on share options	359	–
Other temporary differences	35	34
Trading losses recognised	115	(8)
	(363)	106

At the end of either year there was no unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries.

16. Intangible assets

Goodwill

	£'000
Cost	
At 1 January 2020	159,863
Arising on acquisitions	–
At 31 December 2020	159,863
Arising on acquisitions	1,002
At 31 December 2021	160,865
Net book value	
At 31 December 2021	160,865
At 31 December 2020	159,863

There has been no impairment in respect of the carrying amount of goodwill held on the *Group Balance Sheet*. Goodwill is assessed on a CGU level.

The carrying amount of goodwill by cash generating unit is given below:

	2021 £'000	2020 £'000
Financial Services Division		
Group First	13,913	13,913
RSC New Homes	7,128	7,128
First Complete	3,998	3,998
Advance Mortgage Funding	2,604	2,604
Personal Touch Financial Services	348	348
Direct Life and Pension Services	1,002	–
	28,993	27,991
Surveying & Valuation Division		
e.surv	9,569	9,569
Estate Agency Division		
Your Move and Reeds Rains	58,800	58,800
Marsh & Parsons	40,307	40,307
LSLi	22,512	22,512
Templeton LPA	336	336
Others	348	348
	122,303	122,303
Total	160,865	159,863

16. Intangible assets (continued)

Impairment of goodwill and other intangibles with indefinite useful lives

Goodwill and brands acquired through business combinations have been allocated for impairment testing purposes to either statutory companies or groups of statutory companies which are managed and considered as a singular cash generating unit as follows:

- Financial Services Division
  - Group First
  - RSC New Homes
  - First Complete
  - Advance Mortgage Funding
  - Personal Touch Financial Services
  - Direct Life and Pensions Services
- Surveying & Valuation Division
  - e.surv
- Estate Agency Division
  - Your Move and Reeds Rains (including its share of cash-flows from LSL Corporate Client Department)
  - Marsh & Parsons
  - LSLi
  - Templeton LPA
  - St Trinity

Recoverable amount of companies

The recoverable amount of the Financial Services, Surveying & Valuation and Estate Agency companies has been determined based on a value-in-use calculation using cash-flow projections based on financial budgets approved by the Board and in the three year plan. The discount rate applied to cash-flow projections is 12.2% (2020: 11.7%) and cash-flows beyond the three year plan are extrapolated using a 2.0% growth rate (2020: 2.0%).

Key assumptions used in value-in-use calculations

The calculation of value-in-use for each of the Financial Services, Surveying & Valuation and Estate Agency companies is most sensitive to the following assumptions:

- Discount rates.
- Performance in the market.

Discount rates

Reflect Management's estimate of the post-tax Weighted Average Cost of Capital (**WACC**) of the Group and this is grossed up to arrive at a pre-tax discount rate (using a tax rate of 19.0%) of 12.2% (2020: 11.7%); external advice has been sought for certain elements of the source data. This is the benchmark used by Management to assess operating performance and to evaluate future acquisition proposals.

Performance in the market

Reflects how Management believes the business will perform over the three year period and is used to calculate the value-in-use of the CGUs.

There has been no impairment in respect of the carrying amount of goodwill or brand (an indefinite useful life asset) held on the *Group Balance Sheet*.

16. Intangible assets (continued)

Sensitivity to changes in assumptions

Management has undertaken sensitivity analysis to determine the effect of changes in assumptions on the 2021 impairment reviews. Marsh & Parsons has headroom of £10.3m and in this instance a reasonable possible change in either the financial budgets in the three year plan or the discount rate applied could lead to impairment. A reduction in each of the three years of cash-flow forecast by 13.0% which represents a reduction of £1.1m in the third year of cash-flow forecasts, or an increase to the discount factor applied from 12.2% to 13.7% would lead to an impairment of £0.6m and £0.8m respectively.

Other intangible assets

	Brand names £'000	Customer contracts £'000	Lettings contracts £'000	Order book £'000	Other[1] £'000	Total £'000
Cost						
At 1 January 2020	19,265	–	21,230	228	15,096	**55,819**
Additions	–	–	–	–	1,843	**1,843**
Arising on acquisition	–	–	540	–	–	**540**
Disposals	–	–	–	(228)	–	**(228)**
At 31 December 2020	19,265	–	21,770	–	16,939	**57,974**
Additions	–	–	–	–	2,191	**2,191**
Arising on acquisition	–	625	–	–	3,428	**4,053**
At 31 December 2021	**19,265**	**625**	**21,770**	**–**	**22,558**	**64,218**
Amortisation and impairment						
At 1 January 2020	191	–	14,884	228	9,610	**24,913**
Amortisation	–	–	2,808	–	2,587	**5,395**
Disposals	–	–	–	(228)	–	**(228)**
At 31 December 2020	191	–	17,692	–	12,197	**30,080**
Amortisation	–	286	1,345	–	2,903	**4,534**
At 31 December 2021	**191**	**286**	**19,037**	**–**	**15,100**	**34,614**
Net book value						
At 31 December 2021	**19,074**	**339**	**2,733**	**–**	**7,458**	**29,604**
At 31 December 2020	19,074	–	4,078	–	4,742	27,894

Note:

1 Other relates to in-house software and Estate Agency franchise agreements.

16. Intangible assets (continued)

The carrying amount of brand by operating unit is as follows:

	2021 £'000	2020 £'000
Financial Services Division		
Group First	396	396
Advance Mortgage Funding	180	180
RSC New Homes	43	43
	619	619
Surveying & Valuation Division		
e.surv	1,305	1,305
Estate Agency Division		
Marsh & Parsons	11,724	11,724
Your Move	2,510	2,510
Reeds Rains	1,241	1,241
LSLi	1,675	1,675
	17,150	17,150
Total	19,074	19,074

17. Property, plant and equipment

	Land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost					
At 1 January 2020	39,390	9,636	8,392	29,649	**87,067**
Additions	3,549	367	1,811	1,842	**7,569**
Disposals	(958)	(311)	(1,056)	(1,748)	**(4,073)**
At 31 December 2020	41,981	9,692	9,147	29,743	**90,563**
Additions	1,694	587	1,868	4,123	**8,272**
Acquisition	–	–	14	90	**104**
Disposals	(2,468)	(668)	(2,032)	(16,016)	**(21,184)**
At 31 December 2021	**41,207**	**9,611**	**9,003**	**18,741**	**78,562**
Depreciation and impairment					
At 1 January 2020	6,785	5,111	3,034	22,567	**37,497**
Charge for the year	6,682	909	2,886	3,452	**13,929**
Disposals	(592)	(311)	(1,000)	(1,701)	**(3,604)**
At 31 December 2020	12,875	5,709	4,920	24,318	**47,822**
Charge for the year	6,138	902	2,419	3,041	**12,500**
Disposals	(1,134)	(630)	(1,905)	(15,968)	**(19,637)**
At 31 December 2021	**17,879**	**5,981**	**5,440**	**12,192**	**41,492**
Net book value					
At 31 December 2021	**23,328**	**3,630**	**3,563**	**6,549**	**37,070**
At 31 December 2020	29,106	3,983	4,227	5,425	**42,741**
Owned assets	540	3,630	13	6,549	**10,732**
IFRS 16 leased assets	22,788	–	3,550	–	**26,338**
	23,328	**3,630**	**3,563**	**6,549**	**37,070**

In 2021 assets with a book value of £1.5m were disposed in the year. This includes leasehold properties with book value totalling £0.6m which was sold for net proceeds of £1.7m resulting in a profit on disposal of £1.1m.

In 2020 assets with a book value of £0.5m were disposed in the year. This includes a leasehold property with a book value totalling £0.1m which was sold for net proceeds of £0.1m.

18. Financial assets

	2021 £'000	2020 £'000
Convertible loan notes carried at fair value		
Secured convertible loan notes (Global Property Ventures)	–	10
Secured convertible loan notes – 5%	–	2,240
Investment in equity instruments – at fair value		
Unquoted shares at fair value	5,418	6,961
IFRS 16 lessor financial assets	330	350
	5,748	9,561
Opening balance	9,561	9,326
Additions	14	418
Fair value adjustments	(1,557)	–
Disposals	(2,270)	(183)
Closing balance	5,748	9,561

Convertible loan notes at fair value
In 2020 LSL held secured loan notes of £2.2m with Mortgage Gym Limited. In February 2021 these loan notes were settled as consideration for the acquisition of the trade and assets of Mortgage Gym Limited.

Investment in equity instruments
The financial assets include unlisted equity instruments which are carried at fair value. Fair value is judgemental given the assumptions required and have been valued using a Level 3 valuation.

Yopa Property Limited (Yopa)
The carrying value of the Group's investment in Yopa at 31 December 2021 has been assessed as £4.4m (2020: £6.4m). The method for valuing the Group's investment in Yopa was changed in 2021 from a market approach to an income-based valuation. This change was made due to the increasing age of the most recent market transaction data previously used in the valuation, resulting in management no longer considering this to be an appropriate basis for the valuation.

Vibrant Energy Matters Limited (VEM)
The carrying value of the Group's investment in VEM at 31 December 2021 has been assessed as £0.7m (2020: £0.3m), following a share transaction between third party shareholders.

Global Property Ventures Limited
The carrying value of the Group's investment in Global Property Ventures Limited at 31 December 2021 has been assessed as £0.1m (2020: £0.1m).

NBC Property Master Limited
The carrying value of the Group's investment at 31 December 2021 has been assessed as £0.1m (2020: £0.1m).

19. Investments in joint ventures and associates

	2021 £'000	2020 £'000
Investment in joint ventures and associates	1,610	11,406
Investment in joint ventures		
Opening balance	11,406	10,305
Disposal of LMS	(8,249)	–
Disposal of TM Group	(3,120)	–
Dividend received from LMS	(1,178)	–
Equity investment in Pivotal Growth	2,477	–
Equity accounted profit	274	1,101
Closing balance	1,610	11,406

LMS

In May 2021, the Group sold its 49.6% (2020: 50.0%) interest in LMS, a joint venture whose principal activity is to provide conveyancing panel management services. The carrying value of LMS at the time of disposal was £8.2m. LSL received £12.0m as consideration for its share of LMS.

Claims indemnity provision and contingency

Included in the sale agreement of LMS was a claims indemnity of £2.0m, for which the Group has provided £0.6m, which it considers to be the most likely outcome. Further cases exist and are considered possible, not probable; therefore no further provision has been made for these cases in accruals in these Financial Statements. Should these claims succeed the estimated further cost would be £1.4m.

The summarised financial information of LMS, which is accounted for using the equity method, is presented below:

	2021 £'000	2020 £'000
LMS balance sheet:		
Non-current assets	–	16,467
Current assets	–	1,621
Cash and cash equivalents	–	3,957
Current liabilities	–	(3,628)
Non-current liabilities	–	(272)
Net assets	–	18,145
LSL share of net assets	–	9,073

	25 May 2021 £'000	2020 £'000
LMS results:		
Revenue	6,098	19,732
Depreciation	(583)	(1,515)
Operating expenses	(4,643)	(17,556)
Operating profit	872	661
Finance income	–	2
Profit before tax	872	663
Taxation	(166)	(126)
Profit after tax	707	537
LSL share of profit after tax	354	269

Non-current assets include £nil (2020: £5m) in respect of goodwill arising on the acquisition of shares in LMS.

19. Investments in joint ventures and associates (continued)

	2021 £'000	2020 £'000
Investment in associate	–	–
Opening balance	–	2,653
Acquisitions	–	160
Equity accounted loss	–	(821)
Fair value impairment	–	(1,992)
Closing balance	–	–

TM Group

In July 2021, the Group announced the sale of its 32.34% (2020: 33.33%) holding in TM Group, details of which are included in note 34. The carrying value of TM Group at the time of disposal was £3.1m. LSL received £29.3m as consideration for its share of TM Group.

The summarised financial information of TM Group, which is accounted for using the equity method, is presented below:

	2021 £'000	2020 £'000
TM Group balance sheet:		
Non-current assets	–	7,462
Current assets	–	5,441
Cash and cash equivalents	–	7,545
Current liabilities	–	(13,353)
Non-current liabilities	–	(96)
Net assets	–	6,999
LSL share of net assets	–	2,333

	8 July 2021 £'000	2020 £'000
TM Group results:		
Revenue	41,651	66,677
Depreciation	(518)	(477)
Operating expenses	(38,217)	(63,123)
Operating profit	2,916	3,077
Finance income	–	6
Profit before tax	2,916	3,083
Taxation	(554)	(586)
Profit after tax	2,362	2,497
LSL share of profit after tax	787	832
Shareholder service charge	395	213
Income from TM Group	1,183	1,045

Pivotal Growth

In April 2021, the Group invested in Pivotal Growth, a joint venture whose principal activity is to become a national mortgage broker. The Group acquired a 47.8% holding in Pivotal Growth for initial investment of £0.8m. A further £1.7m equity investment in Pivotal Growth was made in December 2021.

19. Investments in joint ventures and associates (continued)

The summarised financial information of Pivotal Growth, which is accounted for using the equity method, is presented below:

	2021 £'000	2020 £'000
Pivotal Growth balance sheet:		
Non-current assets	2,549	–
Current assets (excluding cash and cash equivalents)	516	–
Cash and cash equivalents	1,763	–
Current liabilities	(991)	–
Non-current liabilities	(469)	–
Net assets	3,368	–
LSL share of net assets	1,610	–

	2021 £'000	2020 £'000
Pivotal Growth results:		
Revenue	109	–
Operating expenses	(2,354)	–
Operating profit	(2,245)	–
Finance costs	1	–
Profit before tax	(2,244)	–
Taxation	426	–
Profit after tax	(1,818)	–
LSL share of profit after tax	(868)	–

19. Investments in joint ventures and associates (continued)

Investment in associate

The Group had a 45.2% holding in Mortgage Gym Limited at the end of 2020, a digital mortgage business. The carrying value at December 2020 was nil. In February 2021, LSL acquired the trade and assets of Mortgage Gym Limited from administrators, details of the acquisition can be found in note 30 to these Financial Statements.

The summarised financial information of Mortgage Gym Limited, which is accounted for using the equity method, is presented below:

	2021 £'000	2020 £'000
Mortgage Gym Limited balance sheet:		
Non-current assets	–	497
Current assets	–	253
Cash and cash equivalents	–	115
Current liabilities	–	(3,999)
Non-current liabilities	–	–
Net assets	–	(3,134)
LSL share of net assets	–	–

	2021 £'000	2020 £'000
Mortgage Gym Limited results:		
Revenue	–	603
Depreciation	–	(269)
Operating expenses	–	(2,066)
Operating loss	–	(1,732)
Finance costs	–	(102)
Loss before tax	–	(1,834)
Taxation	–	348
Loss after tax	–	(1,486)
LSL share of loss after tax	–	(821)

20. Contract assets

	2021 £'000	2020 £'000
Non-current contract asset	733	433
Current contract asset	424	253
	1,157	686

During the year, the Group entered into a long term contract for the provision of mortgage and insurance advice in the Financial Services Division. In accordance with IFRS 15, items relating to the reimbursement of costs associated with the award of material contracts in the Group have been recognised as contract assets. This reimbursement will be amortised over the term of the contracts. The amount of amortisation recognised in the *Group Income Statement* in 2021 is £0.4m (2020: £0.3m).

21. Trade and other receivables

	2021 £'000	2020 £'000
Current		
Trade receivables	12,712	12,507
Prepayments	20,317	15,143
Other debtors	800	788
	33,829	28,438

Trade receivables are non-interest-bearing and are generally on 4 to 30 day terms depending on the services to which they relate. As at 31 December 2021, trade receivables with a nominal value of £3.2m (2020: £4.0m) were impaired and fully provided for. Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2021 £'000	2020 £'000
At 1 January	4,040	3,868
Provision for expected credit losses	236	192
Amounts written off	(1,028)	(20)
At 31 December	3,248	4,040

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

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

	Total £'000	Neither past due nor impaired £'000	<30 days £'000	30-60 days £'000	60-90 days £'000	90-120 days £'000	>120 days £'000
2021	12,712	6,670	2,881	447	184	56	2,474
2020	12,507	6,453	1,977	740	288	317	2,732

The expected credit loss rate applied by ageing bracket has been disclosed below:

	Total	Neither past due nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
2021		0.70%	4.30%	13.50%	34.30%	46.20%	45.80%
2020		0.50%	0.70%	2.50%	2.30%	4.00%	23.30%

In 2021 the expected credit loss rate applied to each ageing bucket has increased, due to a higher expectation of credit risk. This has been driven by increased experience of bad debt write offs within the year.

22. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash and cash equivalents	48,464	11,443

Cash at bank earns interest at floating rates based on daily bank overnight deposit rates.

The Group has a bank offset arrangement in its current RCF whereby the Company and several of its subsidiaries each have bank accounts with the same bank, which are subject to rights of offset and are intended to be settled net. The cash at bank and in hand of £48.5m above included the net balance on these offset accounts of £35.2m, which comprised £59.4m of positive bank balances less £24.2m of bank overdrafts.

23. Trade and other payables

	2021 £'000	2020 £'000
Current		
Trade payables	8,207	11,733
Other taxes and social security payable	12,247	24,971
Other payables	3,600	2,291
Accruals	35,222	29,412
Lapse provision	4,930	4,529
	64,206	72,936

Lapse provision

Certain subsidiaries sell life assurance products which are cancellable without a notice period, and if cancelled within a four year window require that a portion of the commission earned must be repaid. The lapse provision is recognised as a reduction in revenue which is based on historic lapse experience. The charge to the *Group Income Statement* in 2021 was £0.4m. The provision is Management's best estimate of future clawed back commission on life assurance policies, taking into account historic lapse rates in each subsidiary. The exact timing of any future repayments within the four year period is uncertain and the provision was based on the Directors' best estimate of the probability of clawbacks to be made.

24. Financial liabilities

	2021 £'000	2020 £'000
Current		
IFRS 16 lessee financial liabilities	8,447	10,550
Deferred consideration	–	122
Contingent consideration	76	1,794
	8,523	12,466
Non-current		
Bank loans – RCF	–	13,000
IFRS 16 lessee financial liabilities	19,670	23,407
Contingent consideration	2,932	3,653
	22,602	40,060

Bank loans – RCF and overdraft

In February 2021 LSL announced that it had entered into a new banking facility which runs to May 2024 with a new limit of £90m; this replaced the previous RCF, with maturity date of May 2022 and credit limit of £100m.

The bank loan totalling £nil (2020: £13.0m) is secured via cross guarantees issued from the following businesses: LSL Property Services plc, Your Move, Reeds Rains, e.surv, Lending Solutions Holdings Limited, First Complete, New Daffodil Limited, St Trinity, LSL Corporate Client Department, Advance Mortgage Funding, Marsh & Parsons, Marsh & Parsons (Holdings) Limited, BDS Mortgage Group Limited (struck of Companies Register on 1 March 2022), LSLi, Davis Tate, Lauristons, David Frost Estate Agents Limited, Intercounty, Goodfellows, JNP, Vitalhandy Enterprises Limited, Mortgages First, Insurance First Brokers, Group First, Personal Touch Financial Services, Personal Touch Administration Services and Embrace Financial Services.

The utilisation of the RCF may vary each month as long as this does not exceed the maximum £90m facility (2020: £100m). The Group's overdraft is also secured on the same facility, and the combined overdraft and RCF cannot exceed £90m (2020: £100m). The banking facility is repayable when funds permit on or by May 2024.

Interest and fees payable on the RCF amounted to £1.0m (2020: £1.2m) including amortisation of arrangement fees. The interest rate applicable to the facility signed in February 2021 is SONIA plus a margin rate; the margin rate is linked to the leverage ratio of the Group and the margin rate is reviewed at six monthly intervals.

24. Financial liabilities (continued)

Deferred consideration

	2021 £'000	2020 £'000
LSLi	–	122
	–	122

Contingent consideration

	2021 £'000	2020 £'000
RSC New Homes	2,615	3,653
Direct Life and Pensions	393	–
Group First	–	1,470
LSLi contingent consideration	–	302
Other	–	22
	3,008	5,447
Current contingent consideration	76	1,794
Non-current contingent consideration	2,932	3,653
Total contingent consideration	3,008	5,447
Opening balance	5,447	5,804
Cash paid	(2,462)	(171)
Acquisition	579	23
Amounts recorded through *Group Income Statement*	(556)	(209)
Closing balance	3,008	5,447

RSC New Homes

£2.6m (2020: £3.7m) of contingent consideration relates to RSC New Homes. The movement relates to the assessment of the fair value of the contingent consideration which has been calculated using earnings multiples of between five and six times EBITA (plus excess cash in the business) and has been capped at a maximum of £7.5m.

Direct Life and Pensions

£0.4m of contingent consideration relates to Direct Life and Pensions Services, acquired in January 2021. The additional consideration has been calculated using an earnings multiple of four times EBITA and has been capped at a maximum of £1.5m.

Group First

£nil (2020: £1.5m) of contingent consideration relates to Group First. Final payment of £1.5m was paid in July 2021.

LSLi

£nil (2020: £0.3m) of contingent consideration relates to payments to former shareholders in relation to the acquisition of LSLi and certain of its subsidiaries between 2012 and 2016. The full balance was paid in January 2021.

During 2021 £2.4m (2020: £0.2m) of contingent consideration was paid to former shareholders.

24. Financial liabilities (continued)

The table below shows the allocation of the contingent consideration income charge between the various categories:

	2021 £'000	2020 £'000
Arrangement under IFRS 3	(710)	(544)
Unwinding of discount on contingent consideration	154	335
(Credit)/charge	(556)	(209)

The contingent consideration charged to the *Group Income Statement* in the year, excluding the unwinding of discount relates to both new and previous acquisitions and relates to the acquisition of RSC New Homes credit of £0.4m (2020: credit of £0.2m) and Direct Life and Pensions credit of £0.3m (2020: £nil).

25. Provisions for liabilities

	2021			2020		
	PI claim provision £'000	Onerous leases £'000	Total £'000	PI claim provision £'000	Onerous leases £'000	Total £'000
Balance at 1 January	7,042	136	7,178	8,212	440	8,652
Amount utilised	(2,070)	(67)	(2,137)	(1,707)	–	(1,707)
Amount released	(1,641)	(10)	(1,651)	(679)	(304)	(983)
Unwinding of discount	–	–	–	2	–	2
Provided in financial year	576	–	576	1,214	–	1,214
Balance at 31 December	3,907	59	3,966	7,042	136	7,178
Current liabilities	735	40	755	2,926	72	2,998
Non-current liabilities	3,172	19	3,191	4,116	64	4,180
	3,907	59	3,966	7,042	136	7,178

PI Costs (professional indemnity claims) provision

The PI Cost provision is to cover the costs of claims relating to valuation services for clients. The PI Costs provision includes amounts for claims already received from clients, claims yet to be received and any other amounts which may be payable as a result of legal disputes associated with provision of valuation services.

The provision is the Directors' best estimate of the likely outcome of such claims, taking account of the incidence of such claims and the size of the loss that may be borne by the claimant, after taking account of actions that can be taken to mitigate losses. The PI Costs provision will be utilised as individual claims are settled and the settlement amount may vary from the amount provided depending on the outcome of each claim. It is not possible to estimate the timing of payment of all claims and therefore a significant proportion of the provision has been classified as non-current. Claims are settled, on average, 3.7 years after initial notification.

As at 31 December 2021 the total provision for PI Costs was £3.9m. The Directors have considered the sensitivity analysis on the key risks and uncertainties discussed above.

Cost per claim

A substantial element of the PI Costs provision relates to specific claims where disputes are ongoing. These specific cases have been separately assessed and specific provisions have been made. The average cost per claim has been used to calculate the IBNR. Should the costs to settle and resolve these claims and future claims increase by 10%, an additional £0.2m would be required.

Rate of claim

The IBNR assumes that the rate of claim for the high-risk lending period in particular reduces over time. Should the rate of reduction be lower than anticipated and the duration extended, further costs may arise. An increase of 30% in notifications in excess of that assumed in the IBNR calculations would increase the required provision by £0.6m.

Notifications

The Group has received a number of notifications which have not deteriorated into claims or loss. Should the rate of deterioration increase by 50%, an additional provision of less than £0.2m would be required.

26. Leases

At the year ended 31 December 2021, the Group has the following in regards to leases in the *Group Balance Sheet*.

Right of use assets

	2021			2020		
	Property £'000	**Vehicles £'000**	**Total £'000**	Property £'000	Vehicles £'000	Total £'000
1 January	27,544	4,218	31,762	30,887	5,339	36,226
Additions	1,694	1,868	3,562	3,549	1,811	5,360
Disposals	(350)	(126)	(476)	(249)	(53)	(302)
Depreciation	(6,100)	(2,410)	(8,510)	(6,643)	(2,879)	(9,522)
31 December	22,788	3,550	26,338	27,544	4,218	31,762

These are included in the carrying amounts of PPE on the face of the *Group Balance Sheet*, and have been included in note 17.

Lease liabilities

	2021 £'000	2020 £'000
1 January	33,957	37,232
Additions	3,567	5,445
Interest expense	1,507	1,594
Disposals	(485)	(415)
Repayment of lease liabilities	(10,429)	(9,899)
31 December 2021	28,117	33,957

The Group added £3.5m (2020: £5.4m) of new lease liabilities in the year. The weighted average discount rate applied across the Group for these additions was 7.25% (2020: 3.91%).

Maturity of these lease liabilities is analysed as follows:

	Property £'000	Vehicles £'000	Total £'000
Current lease liabilities	6,597	1,850	8,447
Non-current lease liabilities	17,757	1,913	19,670
31 December 2021	24,354	3,763	28,117

These are included in non-current and current financial liabilities on the face of the *Group Balance Sheet*, and have been included in note 24. Maturity analysis of the future cash-flows of lease liabilities has been included in note 32.

26. Leases (continued)

The following shows how lease expenses have been included in the *Group Income Statement*, broken down between amounts charged to operating profit and amounts charged to finance costs:

	2021 £'000	2020 £'000
Depreciation of right of use assets		
Property	(6,100)	(6,643)
Vehicles	(2,410)	(2,879)
Short-term and low value lease expense (note 9)	(2,745)	(2,006)
Sub-lease income	–	25
Charge to operating profit	(11,255)	(11,503)
Interest expense related to lease liabilities	(1,507)	(1,594)
Interest income related to sublease	–	–
Charge to profit before taxation	(1,507)	(1,594)
Cash outflow relating to operating activities	(4,272)	(3,624)
Cash outflow relating to financing activities	(8,902)	(8,280)
Total cash outflow relating to leases	(13,174)	(11,904)

At 31 December 2020 the Group had not entered into any leases to which it was committed but had not yet commenced.

27. Share capital

	2021		2020	
	Shares	**£'000**	Shares	£'000
Authorised:				
Ordinary shares of 0.2 pence each	500,000,000	1,000	500,000,000	1,000
Issued and fully paid:				
At 1 January	105,158,950	210	104,158,950	208
Issued in the year	–	–	1,000,000	2
At 31 December	105,158,950	210	105,158,950	210

28. Reserves

Share premium
The amount subscribed for share capital in excess of nominal value less any costs attributable to the issue of new shares.

Share-based payment reserve
The share-based payment reserve is used to record the value of equity-settled share-based payment provided to the employees, as part of their remuneration. Note 14 gives further details of these plans.

Shares held by EBT
Treasury shares represent the cost of LSL shares purchased in the market and held by the Trust to satisfy future exercise of options under the Group's employee share options schemes. At 31 December 2021 the Trust held 1,042,276 (2020: 1,589,974) LSL shares at an average cost of £2.95 (2020: £3.14). The market value of LSL shares at 31 December 2021 was £3.1m (2020: £4.6m). The nominal value of each share is 0.2 pence.

Fair value reserve
The fair value reserve is used to record the changes in fair value of equity financial assets that the Group has elected to recognise through OCI. Note 18 to these Financial Statements gives further details of the movement in the current year.

29. Pension costs and commitments

The Group operates defined contribution pension schemes for certain Executive Directors and certain employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

The total contributions to the defined contribution schemes in the year were £7.7m (2020: £6.2m). At 31 December 2021 there were outstanding pension contributions of £0.9m (2020: £0.8m) included in trade and other payables.

30. Acquisitions during the year

Year ended 31 December 2021

The Group acquired the following businesses during the year:

Direct Life Quote Holdings Limited

On 22 January 2021, the Group acquired 60% of the issued share capital of Direct Life Quote Holdings Limited and its subsidiary company, Direct Life and Pension Services. Direct Life and Pension Services is a financial intermediary providing systems and services that enable consumer brands and intermediaries to market, sell and transact protection insurance. Direct Life and Pension Services is authorised by the FCA.

The consideration for the initial investment was £2,379,000 with £1,800,000 paid on completion and a present value contingent consideration of £579,000 at acquisition date. The contingent consideration is expected to be paid in January 2024.

The purchase price allocations for the acquisition are disclosed below:

	Fair value £'000
Intangible assets	1,641
Property, plant and equipment	104
Investments	1
Trade and other receivables	511
Cash and cash equivalents	1,070
Current tax assets	207
Trade and other payables	(749)
Provision for liabilities	(438)
Deferred tax liabilities	(410)
Total identifiable net assets acquired	**1,935**
Purchase consideration	2,379
Non-controlling interest	558
Goodwill	**1,002**

	£'000
Purchase consideration discharged by:	
Cash	1,800
Present value contingent consideration (note 13)	579
	2,379

On acquisition of Direct Life and Quote Holdings Limited and Direct Life and Pension Services, intangible assets were valued at £1,641,000. The intangible assets valued relate to customer contracts and in-house developed software. On recognition of the intangible assets, deferred tax liabilities of £410,000 were created. The goodwill represents expected synergies and intangible assets that do not qualify for separate recognition.

The non-controlling interest has been measured at the proportion of net assets at the date of acquisition.

30. Acquisitions during the year (continued)

From the date of acquisition, Direct Life and Pension Services has contributed £3,360,000 of revenue and £196,000 loss to the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been £3,379,000 and the loss from operations would have been £200,000. Group Revenue would have been £326,851,000 and Group operating profit would have been £73,012,000

The Group has recognised costs of £30,000 relating to the acquisition in administration expenses.

Mortgage Gym Limited

In February 2021, the Group (via Mortgage Gym) acquired the trade and assets of Mortgage Gym Limited from administrators. Mortgage Gym Solutions Limited (Mortgage Gym) research, develop and deliver an online technology platform that matches mortgage borrowers with mortgage lenders in a digital marketplace. Mortgage Gym is an appointed representative of PRIMIS Network, a trading name for First Complete, which is authorised and regulated by the FCA.

Prior to February 2021, Mortgage Gym Limited was an associate of the Group, with the Group holding an interest of 34.69%.

The consideration paid for the trade and assets of Mortgage Gym Limited, considered to be entirely attributable to the intangible asset, was £2,384,000, which was settled by offsetting LSL as a secured creditor. The fair value of the secured loan notes at the date of acquisition was £2,240,000 with accrued interest of £144,000.

From the date of acquisition, Mortgage Gym Limited has contributed £696,000 of revenue and £959,000 loss before tax to the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been £780,000 and the loss from operations would have been £1,076,000. Group Revenue would have been £326,916,000 and Group operating profit would have been £72,900,000

The Group has recognised costs of £152,000 relating to the dissolution in exceptional costs (note 8 to these Financial Statements).

Year ended 31 December 2020

The Group acquired the following businesses during 2020:

Lettings books

During the period the Group acquired two lettings books for a total consideration of £438,000. The fair value of the identifiable assets and liabilities of these businesses as at the date of acquisition have been provisionally determined as below:

	Fair value recognised on acquisition £'000
Intangible assets	540
Deferred tax liabilities	(102)
Total identifiable net liabilities acquired	438
Purchase consideration	438
Goodwill	–

	£'000
Purchase consideration discharged by:	
Cash	293
Deferred consideration	122
Contingent consideration	23
	438

	£'000
Analysis of cash-flow on acquisition	
Purchase consideration discharged in cash (included in cash-flows from investing activities)	293
Net cash outflow on acquisition	293

31. Client monies

As at 31 December 2021, monies held by subsidiaries in separate bank accounts on behalf of clients amounted to £101.1m (2020: £97.3m). Neither this amount, nor the matching liabilities to the clients concerned are included in the *Group Balance Sheet*.

Client funds are protected by the Financial Services Compensation Scheme (**FSCS**) under which the Government guarantees amounts up to £85,000. This guarantee applies to each individual client, not the total of deposits held by LSL.

32. Financial instruments – risk management

The Group's principal financial instruments comprise of cash and cash equivalents with access to a £90m loan facility. The main purpose of these financial instruments is to raise finance for the Group's operations and to fund acquisitions. The Group has various financial assets and liabilities such as trade receivables, cash and short term deposits and trade payables, which arise directly from its operations.

The Group is exposed through its operations to the following financial risks:

- interest rate risk;
- liquidity risk; and
- credit risk.

Policy for managing these risks is set up by the Board following recommendations from the Group Chief Financial Officer. Certain risks are managed centrally, while others are managed locally following communications from the centre. The policy for each of the above risks is described in more detail below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The majority of external Group borrowings are variable interest rate based and this policy is managed centrally. The subsidiaries are not permitted to borrow from external sources directly without approval from the Group Finance team.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows. There is no material impact on the Group's equity.

	Increase/ decrease in basis point	Effect on profit before tax £'000
2021	+100	(64)
	-100	64
2020	+100	(130)
	-100	130

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generation by its operations, dividend policy and acquisition strategy. Acquisitions are carefully selected with authorisation limits operating up to Board level and cash payback periods applied as part of the investment appraisal process. In this way the Group aims to maintain a good credit rating to facilitate fundraising. The Group is also very cash generative as demonstrated by the cash from operations. The Group has net current assets in the current year, mainly attributable to the cash generated from the sale of two joint ventures, LMS and TM Group. The requirement to pay creditors is managed through future cash generation and, if required, from the RCF.

The Group monitors its risk of a shortage of funds using a recurring liquidity planning tool and daily cash-flow reporting. This includes consideration of the maturity of both its financial investments and financial assets (for example accounts receivable, and other financial assets) and projected cash-flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility for potential acquisitions through the use of its banking facilities.

32. Financial instruments – risk management (continued)

Cash at the bank earns interest at floating rates based on daily bank overnight deposit rates. Short term deposits are made for varying periods of between one day and three days depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates. The fair value of cash and cash equivalents is £48.5m (2020: £11.4m). At 31 December 2021, the Group had available £90m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met
(2020: £87.0m).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2021 based on contractual undiscounted payments:

Year ended 31 December 2021

	On demand £'000	<3 months £'000	3-12 months £'000	1-5 years £'000	>5 years £'000	Total £'000
Trade payables	–	8,207	–	–	–	8,207
Other payables	–	38,824	–	–	–	38,824
Contingent consideration	–	76	–	3,228	–	3,304
Lease liabilities	–	2,003	6,008	16,364	7,092	31,467
	–	49,110	6,008	19,592	7,092	81,802

Year ended 31 December 2020

	On demand £'000	<3 months £'000	3-12 months £'000	1-5 years £'000	>5 years £'000	Total £'000
Interest-bearing loans and borrowings (including overdraft)	–	108	329	13,181	–	13,618
Trade payables	–	11,733	–	–	–	11,733
Other payables	–	33,939	–	–	–	33,939
Contingent consideration	–	324	1,470	4,287	–	6,081
Deferred consideration	–	46	76	–	–	122
Lease liabilities	–	3,205	7,345	19,725	9,241	39,516
	–	49,355	9,220	37,193	9,241	105,009

The liquidity risk of each Group entity is managed centrally by the Group Treasury function. The Group's cash requirement is monitored closely. All surplus cash is held centrally to offset against the Group's borrowings and reduce the interest payable. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements. The Group has a RCF with a syndicate of major banking corporations to manage longer term borrowing requirements.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains appropriate capital structure to support its business objectives, including any regulatory requirements, and maximise shareholder value. Capital includes share capital and other equity attributable to the equity holders of the parent.

In the medium to long term, the Group will strive to maintain a reasonable leverage (i.e. balance between debt and equity) to help achieve the Group's business objectives of growth (through acquisitions and organic growth) and meet its dividend policy. In the short term, the Group does not have a set leverage ratio to be achieved but the Directors monitor the ratio of net debt to operating profit to ensure that the debt funding is not excessively high.

The Group does not have a current ratio of Net Bank Debt to EBITDA (2020: 0.03x) due to a Net Cash position of £48.5m (2020: Net Debt £1.6m) and operating profit before exceptional costs, amortisation and share-based payment charge of £49.3m (2020: £41.5m). The business is cash generative with a low capital expenditure requirement. The Group remains committed to its stated dividend policy of 30% of Group Underlying Operating Profit after interest and tax. The Board has reviewed the policy in line with the risks and capital management decisions facing the Group.

32. Financial instruments – risk management (continued)

Credit risk

There are no significant concentrations of credit risk within the Group. The Group is exposed to a credit risk in respect of revenue transactions (i.e. turnover from customers). It is Group policy, implemented locally, to obtain appropriate details of new customers before entering into contracts. The majority of the Estate Agency customers use the Group's services as part of a house sale transaction and consequently the debt is paid from the proceeds realised from the sale of the house by the vendor's solicitor before the balance of funds is transferred to the vendor. This minimises the risk of the debt not being collected.

Risk of exposure to non-return of cash on deposit is managed by placing funds with lenders who form part of the Group's agreed banking facility syndicate, which comprises several leading UK banks.

The majority of the Surveying & Valuation customers and those of the Asset Management business are large financial institutions and as such the credit risk is not expected to be significant. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the *Group Balance Sheet* date.

Financial instruments are grouped on a subsidiary basis to apply the expected credit loss model.

The chosen method of recognising the expected credit loss across the Group is the simplified approach allowing a provision matrix to be used, which is based on the expected credit life of trade receivables, historic default rates and forward looking information. Trade receivable balances are written off when the probability of recovery is assessed as being remote.

Interest rate risk profile of financial assets and liabilities

The Group's treasury policy is described above. The disclosures below exclude short term receivables and payables which are primarily of a trading nature and expected to be settled within normal commercial terms.

The interest rate profile of the financial assets and liabilities of the Group at 31 December 2021 are as follows:

	Within 1 year £'000	**1-2 years £'000**	**2-3 years £'000**	**3-4 years £'000**	**Total £'000**
Floating rate					
Cash and cash equivalents	48,464	–	–	–	48,464

The effective interest rate and the actual interest rate charged on the loans in 2021 are as follows:

	Effective rate	Actual rate
RCF	1.11%	2.25%

The interest rate profile of the financial assets and liabilities of the Group at 31 December 2020 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	Total £'000
Floating rate					
Cash and cash equivalents	11,443	–	–	–	11,443
RCF	–	(13,000)	–	–	(13,000)

The effective interest rate and the actual interest rate charged on the loans in 2020 are as follows:

	Effective rate	Actual rate
RCF	1.2%	1.0%

The effective interest rate on the RCF during the year is higher than the actual rate due to commitment fees payable on undrawn amounts.

Fair values of financial assets and financial liabilities

There are no differences between the carrying amounts and fair values of all of the Group's financial instruments that are carried in the Financial Statements.

32. Financial instruments – risk management (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

2021	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	5,748	–	–	5,748
Liabilities measured at fair value				
Contingent consideration	3,008	–	–	3,008

2020	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	9,561	–	–	9,561
Liabilities measured at fair value				
Contingent consideration	5,447	–	–	5,447

The fair value of equity financial assets that are not traded in the open market is £5.7m (2020: £9.6m) are valued using Level 3 techniques in accordance with the fair value hierarchy and Management use all relevant and up to date information (including cash-flow forecasts and financial statements) to arrive at their judgement. Where appropriate a range of potential outcomes is considered in reaching a conclusion. If this was to drop by 10%, the implied valuation is likely to also drop by around 10%, £0.5m.

The contingent consideration relates to amounts payable in the future on acquisitions. The amounts payable are based on the amounts agreed in the contracts and based on the future profitability of each entity acquired. In valuing each provision, estimates have been made as to when the options are likely to be exercised and the future profitability of the entity at this date. Further details of these provisions are shown in note 24.

If the future profitability of the entities were to decline by 10%, the size of the contingent consideration would decrease by approximately £0.1m for DLPS and £0.1m for RSC.

33. Analysis of Net Cash/Debt

Net Bank (Cash)/Debt is defined as follows:

	2021 £'000	2020 £'000
Interest-bearing loans and borrowings (including loan notes, overdraft, IFRS 16 leases, contingent and deferred consideration)		
– Current	8,523	12,466
– Non-current	22,602	40,060
	31,125	52,526
Less: cash and short term deposits	(48,464)	(11,443)
Less: IFRS 16 lessee financial liabilities	(28,117)	(33,957)
Less: deferred and contingent consideration	(3,008)	(5,569)
Net Bank (Cash)/Debt	(48,464)	1,557

Net Bank (Cash)/Debt is defined as excluding lease liabilities to be consistent with the Group's banking covenant requirements and is how the Group monitors its compliance with those requirements.

34. Related party transactions

As disclosed in note 19 to these Financial Statements LSL had two joint ventures, LMS and TM Group, and an associate Mortgage Gym Limited which it disposed of in the year. A further joint venture, Pivotal Growth, was set up in the year. All transactions are to be settled in cash.

Transactions with LMS and its subsidiaries

	2021 £'000	2020 £'000
Sales	–	–

Transactions with TM Group and its subsidiaries

	2021 £'000	2020 £'000
Sales	653	1,048
Purchases	(1,181)	(931)
Creditor at 31 December	–	(80)

Transactions with Mortgage Gym Limited

	2021 £'000	2020 £'000
Purchases	–	(456)
Creditor at 31 December	–	–

Transactions with Pivotal Growth

	2021 £'000	2020 £'000
Sales	–	–
Purchases	–	–
Creditor at 31 December	–	–

35. Capital commitments

	2021 £'000	2020 £'000
Capital expenditure contracted for but not provided	–	–

36. Subsidiaries and joint venture companies

The Group owns directly or indirectly the following issued and fully paid ordinary and preference share capital of its subsidiary undertakings, all of which are incorporated in Great Britain, with the exception of Albany Insurance Company (Guernsey) Limited, which is incorporated in Guernsey, and whose operations are conducted mainly in the UK. The results for all of the subsidiaries have been consolidated within these Financial Statements:

Name of subsidiary company	Registered office address	LSL holding	LSL shareholder	Proportion of nominal value of shares held	Nature of business
Lending Solutions Holdings Limited	1	Direct	LSL Property Services plc	100%	Holding Company
Lending Solutions Limited	1	Indirect	Lending Solutions Holdings Limited	100%	Non Trading
Financial Services					
Direct Life Quote Holdings Limited[1]	2	Direct	LSL Property Services plc	60%	Holding Company
Direct Life and Pensions Services Limited[1]	2	Indirect	Direct Life Quote Holdings Limited	100%	Financial Services
Direct Life Limited[1]	2	Indirect	Direct Life and Pension Services Limited	100%	Non Trading
Life Quote Limited[1]	2	Indirect	Direct Life and Pension Services Limited	100%	Non Trading
Embrace Financial Services Ltd	2	Direct	LSL Property Services plc	100%	Financial Services
First2Protect Limited	2	Indirect	your-move.co.uk Limited	100%	Financial Services
Group First Ltd[2]	2	Indirect	your-move.co.uk Limited	100%	Holding Company
Insurance First Brokers Ltd	2	Indirect	Group First Ltd	100%	Financial Services
Mortgages First Ltd	2	Indirect	Group First Ltd	100%	Financial Services
Reeds Rains Financial Services Limited	2	Indirect	Reeds Rains Limited	100%	Financial Services
RSC New Homes Limited[3]	2	Indirect	your-move.co.uk Limited	70%	Financial Services and Holding Company
RSC Protect Limited	2	Indirect	RSC New Homes Limited	100%	Non Trading
Advance Mortgage Funding Limited	1	Direct	LSL Property Services plc	100%	Financial Services and Holding Company
BDS Mortgage Group Limited[4]	1	Indirect	Advance Mortgage Funding Limited	100%	Non Trading
First Complete Limited	1	Indirect	Lending Solutions Holdings Limited	100%	Financial Services and Holding Company
Linear Financial Services Limited	2	Indirect	Linear Financial Services Holdings Limited	100%	Non Trading
Linear Financial Services Holdings Limited	2	Indirect	First Complete Limited	100%	Holding Company
Linear Mortgage Network Holdings Limited	2	Indirect	First Complete Limited	100%	Holding Company
Linear Mortgage Network Limited	2	Indirect	Linear Mortgage Network Holdings Limited	100%	Financial Services
Mortgage Gym Solutions Limited[5]	2	Direct	LSL Property Services plc	100%	Business and domestic software development
Personal Touch Administration Services Limited	2	Indirect	Personal Touch Financial Services Limited	100%	Financial Services
Personal Touch Financial Services Limited	2	Direct	LSL Property Services plc	100%	Financial Services
Qualis Wealth Limited	2	Direct	LSL Property Services plc	100%	Financial Services

36. Subsidiaries and joint venture companies (continued)

Name of subsidiary company	Registered office address	LSL holding	LSL shareholder	Proportion of nominal value of shares held	Nature of business
Surveying & Valuation					
Albany Insurance Company (Guernsey) Limited	7	Direct	LSL Property Services plc	100%	Captive Insurer
e.surv Limited	5	Direct	LSL Property Services plc	100%	Chartered Surveyors
Estate Agency – Asset Management					
LSL Corporate Client Services Limited	1	Direct	LSL Property Services plc	100%	Asset Management
St Trinity Limited	1	Direct	LSL Property Services plc	100%	Non Trading
Templeton LPA Limited	1	Indirect	First Complete Limited	100%	Asset Management
Estate Agency – Residential Sales and Lettings					
Airport Lettings Stansted Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Appleton Estates and Property Management Limited	2	Indirect	Davis Tate Ltd	100%	Non Trading
Bawtry Lettings and Sales Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Beldhamland Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Brown North East Lettings Ltd	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Charterhouse Management (UK) Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
David Frost Estate Agents Limited	2	Indirect	Vitalhandy Enterprises Limited	100%	Residential Sales and Lettings
Davis Tate Ltd	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
EA Student Lettings Ltd	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Eastside Property Developments Ltd	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Elliott & Freeth Limited	2	Indirect	Davis Tate Ltd	100%	Non Trading
Fourlet (York) Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Front Door Property Management Ltd	2	Indirect	ICIEA Limited	100%	Non Trading
GFEA Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
Guardian Property Lettings Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Hawes & Co Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
Hawes & Co (Thames Ditton) Limited	2	Indirect	Hawes & Co Limited	100%	Non Trading
Headway Property Management Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Holloways Residential Ltd	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Home and Student Link Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Homefast Property Services Limited	2	Indirect	Lending Solutions Holdings Limited	77.5%	Conveyancing Packaging
Hydegate Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
ICIEA Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
Inter County Lettings Limited	2	Indirect	ICIEA Limited	100%	Non Trading
IQ Property (Hull) Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
JNP Estate Agents Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
JNP Estate Agents (Princes Risborough) Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
JNP (Residential Lettings) Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
JNP (Surveyors) Limited	2	Indirect	LSLi Limited	100%	Non Trading

36. Subsidiaries and joint venture companies (continued)

Name of subsidiary company	Registered office address	LSL holding	LSL shareholder	Proportion of nominal value of shares held	Nature of business
Kent Property Solutions Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
LSL Land & New Homes Ltd	2	Indirect	your-move.co.uk Limited	100%	Residential Sales
Lauristons Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
LetCo Group Limited	2	Indirect	your-move.co.uk Limited	100%	Holding Company
LetCo Limited	2	Indirect	LetCo Group Limited	100%	Non Trading
Lets Move Property Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Longshoot Properties Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
LSLi Limited	1	Direct	LSL Property Services plc	100%	Residential Sales, Lettings, Financial Services and Holding Company
Marsh & Parsons Limited	3	Indirect	Marsh & Parsons (Holdings) Limited	100%	Residential Sales, Lettings and Holding Company
Marsh & Parsons (Holdings) Limited	2	Direct	LSL Property Services plc	100%	Holding Company
Marshcroft Properties Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
New Daffodil Limited	2	Direct	LSL Property Services plc	100%	Non Trading
New Let Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Oakley Lettings Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Paul Graham Lettings & Management Ltd	2	Indirect	GFEA Limited	100%	Non Trading
Philip Green Lettings Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
PHP Lettings Scotland Limited	4	Indirect	your-move.co.uk Limited	100%	Non Trading
Prestons Lettings Ltd	2	Indirect	Reeds Rains Limited	100%	Non Trading
Pygott & Crone Lincoln Lettings Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Reeds Rains Limited	2	Direct	LSL Property Services plc	100%	Residential Sales, Lettings, Financial Services and Holding Company
Reeds Rains Cleckheaton Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Simply Let Limited	4	Indirect	your-move.co.uk Limited	100%	Non Trading
Thomas Morris Limited[6]	1	Indirect	LSLi Limited	100%	Residential Sales and Lettings
Top-Let Limited	2	Indirect	LetCo Group Limited	100%	Non Trading
Vanstons (Barnes) Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vanstons Commercial Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vanstons Lettings Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vanstons Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vitalhandy Enterprises Limited	2	Indirect	LSLi Limited	100%	Holding Company
Warners Letting Agency Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Woollens of Wimbledon Limited	2	Indirect	Lauristons Limited	100%	Non Trading
Yates Lettings Limited	2	Indirect	Davis Tate Ltd	100%	Non Trading
your-move.co.uk Limited	1	Indirect	Lending Solutions Holdings Limited	100%	Residential Sales, Lettings, Financial Services and Holding Company
Zenith Properties Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Joint Ventures and Associates					
Mottram TopCo Limited	8	Direct	LSL Property Services plc	47.7%	Joint Venture – Holding Company
Mottram MidCo Limited	8	Indirect	Mottram TopCo Limited	100%	Joint Venture – Holding Company

36. Subsidiaries and joint venture companies (continued)

Name of subsidiary company	Registered office address	LSL holding	LSL shareholder	Proportion of nominal value of shares held	Nature of business
Pivotal Growth Limited	8	Indirect	Mottram MidCo Limited	91.4% (100% voting)	Joint Venture – Financial Services
Mortgage Gym Limited	6	Direct	LSL Property Services plc	45.2%	Associate – Financial Services

Notes:

1. 60% of Direct Life Quote Holdings Limited was acquired by LSL on 29 January 2021. LSL's holding in the company increased from 60% to 70% on 28 January 2022.
2. On 27 July 2021 Your Move's holding in Group First Ltd increased from 95% to 100%.
3. On 14 October 2021 Your Move's holding in RSC New Homes Limited increased from 60% to 70%.
4. The voluntary strike off was recorded on the Companies Register on 1 March 2022.
5. LSL Three Limited was renamed Mortgage Gym Solutions Ltd on 8 March 2021.
6. On 13 January 2021 LSLi's holding in Thomas Morris Limited increased from 93.33% to 100%.

Audit exemptions under section 479a of the *Companies Act 2006*

Nine of the Group's subsidiaries are exempt from audit of individual accounts under section 479a of the *Companies Act 2006*:

a. Lending Solutions Holdings Limited (05095079).

b. Reeds Rains Financial Services Limited (08130339).

c. New Daffodil Limited (02045933).

d. Templeton LPA Limited (06507759).

e. St Trinity Limited (07092652).

f. Mortgage Gym Solutions Ltd (12460735).

g. LSL Land & New Homes Ltd (09018581).

h. LSL Corporate Client Services Limited (07299192).

i. Linear Mortgage Network Limited (05198588).

Registered office addresses:

1. Newcastle House, Albany Court, Newcastle upon Tyne, NE4 7YB.
2. Howard House, 3 St Marys Court, Blossom Street, York, YO24 1AH.
3. 80 Hammersmith Road, London, W14 8UD.
4. 25 North Bridge Street, Bathgate, West Lothian, EH48 4PJ.
5. Unit 1, Orion Park, Kettering, Northamptonshire, England, NN15 6PP.
6. C/O Restructuring Advisory LLP, Central Square, 5th Floor, 29 Wellington Street, Leeds, LS1 4DL.
7. The Albany, South Esplanade, St Peters Port, Guernsey, GY1 4NF.
8. 11-12 Hanover Square, London, W1S 1JJ.

37. Events after the reporting period

In February 2022, LSL invested an additional £0.9m in its Pivotal Growth joint venture to fund its buy and build growth strategy.

Statement of Directors’ Responsibilities in Relation to the Parent Company Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable UK law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Company Financial Statements in accordance with *International Financial Reporting Standards* (IFRS) as adopted by the UK, in conformity with the *Companies Act 2006*. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

Under the FCA’s *Disclosure Guidance and Transparency Rules*, the Financial Statements are required to be prepared in accordance with international accounting standards in conformity with the requirements of the *Companies Act 2006* and UK adopted *International Accounting Standards* (IAS).

In preparing these Financial Statements the Directors are required to:

a. select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors* and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

d. provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s financial position and financial performance;

e. in respect of the Financial Statements, state whether IFRS in conformity with the *Companies Act 2006* have been followed, subject to any material departures disclosed and explained in the Financial Statements;

f. in respect of the Parent Company Financial Statements, state whether IFRS in conformity with the *Companies Act 2006* and UK adopted *International Accounting Standards*, have been followed, subject to any material departures disclosed and explained in the Financial Statements; and

g. prepare the Financial Statements on the going concern basis unless it is appropriate to presume that the Company and/or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s and Group’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Parent Company and the Group Financial Statements comply with the *Companies Act 2006*. They are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing the *Strategic Report, Report of the Directors, Directors’ Remuneration Report* and *Corporate Governance Report* that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website.

Parent Company Balance Sheet

as at 31 December 2021

Company No. 05114014

	Note	2021 £'000	2020 £'000
Non-current assets			
Other intangible assets	3	79	7
Property, plant and equipment	4	8	12
Investment in subsidiaries	5	179,718	187,192
Financial assets	6	4,610	8,846
Investment in joint ventures and associates	7	2,477	7,235
Deferred tax asset	11	578	122
		187,470	203,414
Current assets			
Trade and other receivables	8	36,438	42,225
Total assets		223,910	245,639
Current liabilities			
Trade and other payables	9	(71,754)	(110,518)
Financial liabilities	10	(5,024)	(13,928)
		(76,778)	(124,446)
Non-current liabilities			
Financial liabilities	10	(317)	(13,000)
Total liabilities		(77,095)	(137,446)
Net assets		146,813	108,193
Equity			
Share capital	12	210	210
Share premium account	13	5,629	5,629
Share-based payment reserve	13	5,263	3,942
LSL shares held by the EBT	13	(3,063)	(5,012)
Fair value reserve	13	(15,695)	(13,695)
Retained earnings	13	154,469	117,119
Total equity		146,813	108,193

The profit after tax for the year, attributable to the Company, was £41.0m (2020: £11.7m).

The notes on pages 154 to 165 form part of these Financial Statements.

The Financial Statements were approved by and signed on behalf of the Board by:

David Stewart
Group Chief Executive Officer
15 March 2022

Adam Castleton
Group Chief Financial Officer
15 March 2022

Parent Company Statement of Cash-Flows

for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Parent operating profit before tax and interest		42,641	9,960
Adjustments for:			
Exceptional operating items		(23,021)	4,260
Depreciation of tangible assets	4	4	38
Share-based payments		1,102	57
Finance income		(14)	(143)
Finance costs		1,098	1,056
Dividend income		(29,000)	(22,500)
Operating cash-flows before movements in working capital		(7,190)	(7,272)
Movements in working capital			
(Increase)/decrease in trade and other receivables	8	18,213	(174)
Increase/(decrease) in trade and other payables	9	(41,577)	21,086
		(23,324)	20,912
Cash generated from operations		(30,514)	13,640
Interest paid		(1,098)	(1,056)
Income taxes paid		(8,249)	(5,788)
Net cash generated from operating activities		(39,861)	6,796
Cash-flows used in investing activities			
Investment in financial assets	6	(14)	(418)
Investment in joint ventures		(2,477)	—
Proceeds from sale of joint venture		41,349	—
Acquisition of subsidiary		(1,800)	—
Dividends received from subsidiaries		29,000	22,500
Purchases of property, plant and equipment		(51)	—
Net cash generated/(expended) on investing activities		66,007	22,082
Cash-flows used in financing activities			
(Repayment)/drawdown of loans		(13,000)	(28,000)
Repayment of overdraft		(8,980)	(778)
(Repayment)/issue of unsecured loan notes	10	—	(66)
Payment of lease liabilities		—	(34)
Dividends paid to equity holders of the parent		(4,166)	—
Net cash generated/(expended) in financing activities		(26,146)	(28,878)
Net increase/(decrease) in cash and cash equivalents		—	—
Cash and cash equivalents at the end of the year		—	—

The notes on pages 154 to 165 form part of these Financial Statements.

Parent Company Statement of Changes in Equity

for the year ended 31 December 2021

	Issued capital £'000	Share premium £'000	Share-based payment reserve £'000	Shares held by EBT £'000	Fair value reserve £'000	Retained earnings £'000	Total £'000
As at 1 January 2021	210	5,629	3,942	(5,012)	(13,695)	117,119	108,193
Other comprehensive income for the year	—	—	—	—	—	—	—
Profit for the year	—	—	—	—	—	41,028	41,028
Revaluation of financial assets	—	—	—	—	(2,000)	—	(2,000)
Total comprehensive income for the year	—	—	—	—	(2,000)	41,028	39,028
Exercise of options	—	—	(990)	1,949	—	488	1,447
Share-based payment transactions	—	—	1,916	—	—	—	1,916
Tax on share-based payments	—	—	395	—	—	—	395
Dividends paid	—	—	—	—	—	(4,166)	(4,166)
As at 31 December 2021	210	5,629	5,263	(3,063)	(15,695)	154,469	146,813

During the year ended 31 December 2021, the Trust acquired nil LSL shares. During the period, 555,824 share options were exercised relating to LSL's various share option schemes resulting in the shares being sold by the Trust. LSL received £1.4m on exercise of these options.

The notes on pages 154 to 165 form part of these Financial Statements.

for the year ended 31 December 2020

	Issued capital £'000	Share premium £'000	Share-based payment reserve £'000	Shares held by EBT[1] £'000	Fair value reserve £'000	Retained earnings £'000	Total £'000
As at 1 January 2020	208	5,629	4,429	(5,224)	(13,695)	104,913	96,260
Other comprehensive income for the year	—	—	—	—	—	—	—
Profit for the year	—	—	—	—	—	11,721	11,721
Total comprehensive income for the year	—	—	—	—	—	11,721	11,721
Issue of share capital	2	—	—	—	—	—	2
Exercise of options	—	—	(80)	212	—	44	176
Share-based payment transactions	—	—	(423)	—	—	441	18
Tax on share-based payments	—	—	16	—	—	—	16
As at 31 December 2020	210	5,629	3,942	(5,012)	(13,695)	117,119	108,193

During the year ended 31 December 2020, the Trust acquired 167,083 LSL shares. During the period, 60,565 share options were exercised relating to LSL's various share option schemes resulting in the shares being sold by the Trust. LSL received £176,000 on exercise of these options.

Note:

[1] 'Treasury shares' have been renamed to 'Shares held by EBT'.

The notes on pages 154 to 165 form part of these Financial Statements.

Notes to the Parent Company Financial Statements

for the year ended 31 December 2021

1. Accounting policies

Basis of preparation

The Parent Company Financial Statements have been properly prepared in accordance with *International Accounting Standards* in conformity with the requirements of the *Companies Act 2006* as applied in accordance with section 408 of the *Companies Act 2006*.

The Company Financial Statements have been prepared on a going concern basis and on a historical cost basis, except for certain debt and financial assets and liabilities that have been measured at fair value.

The accounting policies which follow set out those significant policies which apply in preparing the Company's Financial Statements for the year ended 31 December 2021. The Company's Financial Statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Summary of significant accounting policies

The accounting policies adopted in the preparation of the Company's Financial Statements are consistent with those followed in the preparation of the Company Financial Statements for the year ended 31 December 2020.

Judgements and estimates

The preparation of financial information in conformity with IFRS as adopted by the UK, requires Management to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

• Judgements

There are no areas of judgement that have a significant effect on the amounts recognised in the Financial Statements of the Company.

• Estimates

The key assumption affected by future uncertainty that has significant risks of causing material adjustment to the carrying value of assets and liabilities within the next financial year is:

Valuation of financial assets

The Company owns non–controlling interests in a number of unlisted entities. The Company uses valuation techniques to measure fair value of financial assets, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value of equity financial assets that are not traded in the open market are valued using the best information available in the circumstances, including cash-flow forecasts and financial statements, to arrive at the fair value. Where appropriate a range of potential outcomes is considered in reaching a conclusion. Further details of the methodology used are disclosed in note 18 to the Financial Statements.

Income taxes

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

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

a. where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;

b. in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

c. deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

1. Accounting policies (continued)

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

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

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

Pensions
The Company operates a defined contribution pension scheme for employees of the Company. The assets of the scheme are invested and managed independently of the finances of the Company. The pension cost charge represents contributions payable in the year.

Share-based payment transactions
The fair value of employee share option plans and share award schemes, which are all equity-settled, is calculated at the grant date using the Black Scholes model. The resulting cost is charged to the Company income statement over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting. The charge relating to employees of subsidiaries is added to the cost of investment in those subsidiaries.

Shares held by EBT
The Group has an employee share scheme (**ESOT**) for the granting of LSL shares to Executive Directors and selected senior employees and an employee share incentive plan (**Trust**). Shares in LSL held by the ESOT and the Trusts are treated as treasury shares and presented in the *Balance Sheet* as a deduction from equity. No gain or loss is recognised in the *Group Income Statement* on the purchase, sale, issue or cancellation of the Group's own equity instruments. The finance costs and administration costs relating to the ESOT and the Trusts are charged to the *Group Income Statement*. Dividends earned on shares held in the ESOT and the Trusts have been waived.

Investments in subsidiaries
Investments are shown at cost less provision for impairment. The cost of an investment is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised through profit and loss.

Investments are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired.

Investments in joint ventures and associates
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint ventures and associates are accounted for at cost less any provision for impairment. Investments are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired. The cost of an investment is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in profit and loss.

1. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment is depreciated on a straight-line basis to its residual value over its anticipated useful economic life:

a. Office equipment, fixtures and fittings – over three to seven years
b. Computer equipment – over three to four years
c. Leasehold improvements – over the shorter of the lease term or ten years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Company's income statement when the asset is derecognised. These assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Financial instruments

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

The subsequent measurement of financial assets depends on their classification.

The Company's accounting policy for each category of financial instruments is as follows:

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IFRS 9 Financial Instruments and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets designated at fair value through profit and loss

Gains and losses arising from the changes in the fair value are recognised through the profit and loss.

The Company's accounting policy for each category of financial instruments is as follows:

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs. Finance costs comprise interest payable on borrowings calculated at the effective interest rate method and recognised on an accruals basis. Borrowing costs are recognised as an expense when incurred.

Trade receivables

Trade receivables do not carry any interest and are stated at their original invoiced value as reduced by appropriate allowances for estimated irrecoverable amounts. The expected credit loss model under IFRS 9 is applied to trade and other receivables.

2. Cash-flow from financing activities

	At 1 January 2021 £'000	Cash-flow £'000	Acquisitions £'000	Foreign exchange £'000	Unwind of discount £'000	At 31 December 2021 £'000
Short term liabilities	13,928	(8,980)	—	—	—	4,948
Long term liabilities	13,000	(13,000)	—	—	—	—
	26,928	(13,000)	—	—	—	—

Short term liabilities

At 31 December 2021 short term liabilities were made up of the bank overdraft of £4.9m (2020: £13.9m) and unsecured loan notes £nil (2020: £nil) (see note 10 to these Financial Statements).

Long term liabilities

At 31 December 2021 the long term liabilities were made up of the bank loan of £nil (2020: £13.0m) (see note 10 to these Financial Statements).

3. Intangible assets

	Software £'000	Total £'000
Cost		
At 1 January 2021	7	7
Additions	72	72
As at 31 December 2021	79	79
Impairment		
At 1 January 2021	—	—
Amortisation	—	—
As at 31 December 2021	—	—
Net book value		
As at 31 December 2021	79	79
As at 31 December 2020	7	7

4. Property, plant and equipment

	Land and buildings £'000	Leasehold improvements £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost				
At 1 January 2020	90	74	120	284
Additions	—	—	—	—
At 31 December 2020	90	74	120	284
Additions	—	—	—	—
At 31 December 2021	90	74	120	284
Depreciation				
At 1 January 2020	57	67	110	234
Charge for the year	33	—	5	38
At 31 December 2020	90	67	115	272
Charge for the year	—	—	4	4
At 31 December 2021	90	67	119	276
Net book value				
At 31 December 2021	—	7	1	8
At 31 December 2020	—	7	5	12
Owned assets	—	7	1	8
IFRS 16 leased assets	—	—	—	—
	—	7	5	12

5. Investment in subsidiaries

Details of the subsidiaries held directly and indirectly by the Company are shown in note 36 to the *Group Financial Statements*.

	2021 £'000	2020 £'000
At 1 January	187,192	187,055
Additions	2,379	—
Adjustments for share-based payment	847	137
Impairment in cost of investment in Albany	(10,700)	—
At 31 December	179,718	187,192

In 2021 there was an increase of £0.8m (2020: increase of £0.1m) on investment in subsidiaries for share-based payment, representing the financial effects of awards by the Company of options over its equity shares to employees of subsidiary undertakings. The total contribution to date is £8.6m.

In 2021 the Company acquired Direct Life Quote Holdings Limited for £2.4m consideration, details of the acquisition accounting can be found in note 30 to the *Group Financial Statements*.

In 2021 the Company recognised an impairment of £10.7m in its cost of investment in Albany, as a result of its assessment of recoverability. The carrying value of Albany at 31 December 2021 is £7.6m, which is assessed as the recoverable amount, measured as the value-in-use of Albany, using a discount rate of 12.15%.

6. Financial assets

	2021 £'000	2020 £'000
Convertible loan notes – at fair value		
Secured convertible loan notes (Global Property Ventures)	—	10
Secured convertible loan notes (Mortgage Gym Limited) – 5%	—	2,240
Investment in equity instruments – at fair value		
Unquoted shares at fair value	4,610	6,596
	4,610	8,846
At 1 January	8,846	8,588
Additions	14	418
Disposals	(2,250)	(160)
Revaluation	(2,000)	—
At 31 December	4,610	8,846

Convertible loan notes at fair value

In 2020 LSL held secured loan notes of £2.2m with Mortgage Gym Limited, in February 2021 these loan notes were settled as consideration for the acquisition of the trade and assets of Mortgage Gym Limited.

Investment in equity instruments

The financial assets include unlisted equity instruments which are carried at fair value. Fair value is judgemental given the assumptions required and have been valued using a Level 3 valuation techniques (see note 32 to the *Group Financial Statements*).

Yopa Property Limited (Yopa)

The carrying value of the Company's investment in Yopa at 31 December 2021 is £4.5m (December 2020: £6.5m). The fair value of the Company's investment in Yopa has been assessed by using Level 3 techniques.

7. Investment in joint ventures and associates

	2021 £'000	2020 £'000
At cost		
At 1 January	7,235	11,335
Additions	2,477	160
Disposals	(7,235)	—
Impairment	—	(4,260)
At 31 December	2,477	7,235

LMS

In May 2021, the Company sold its 49.6% (2020: 50.0%) interest in LMS, a joint venture whose principal activity is to provide conveyancing panel management services. The carrying value of LMS at the time of disposal was £7.2m. LSL received £12.0m as consideration for its share of LMS.

Claims indemnity provision and contingency

Included in the sale agreement of LMS was a claims indemnity of £2.0m, for which the Company has provided £0.6m, which it considers to be the most likely outcome. Further cases exist and are considered possible, not probable, therefore no further provision has been made for these cases in the Financial Statements. Should these claims succeed the estimated further cost would be £1.4m.

Pivotal Growth

In April 2021 the Company formed Pivotal Growth, a joint venture whose principal activity is to become a national mortgage broker. The Company acquired a 47.80% holding in Pivotal for initial investment of £0.8m. A further £1.7m equity investment in Pivotal Growth was made in December 2021.

8. Trade and other receivables

	2021 £'000	2020 £'000
Group relief receivable	13,829	11,921
Prepayments	793	1,450
Other taxes and social security	117	28
Amounts owed by Group undertakings	21,699	28,826
	36,438	42,225

The expected credit loss relating to amounts owed by Group undertakings is £0.0m (2020: £0.0m).

9. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	327	413
Accruals	3,299	2,331
Amounts owed to Group undertakings	68,128	107,774
	71,754	110,518

10. Financial liabilities

	2021 £'000	2020 £'000
Current liabilities		
Contingent consideration	76	-
Bank overdraft	4,948	13,928
	5,024	13,928
Non-current liabilities		
Contingent consideration	317	—
Bank loans – RCF	—	13,000
	317	13,000

Deferred consideration
During 2021 £nil (2020: £nil) of deferred consideration was paid to third parties.

Bank loans – RCF and overdraft
The Company's bank loan totals £nil (2020: £13.0m) and the Company's overdraft totals £4.9m (2020: £13.9m). The bank loan is secured via a cross guarantee issued from all of the Group's subsidiaries excluding the following subsidiaries: Lending Solutions Limited, Homefast Property Services, Linear (Linear Mortgage Network and Linear Financial Services), Templeton LPA, Group First, Personal Touch Financial Services, and RSC New Homes.

The utilisation of the RCF may vary each month as long as this does not exceed the maximum £90m facility (2020: £100m). The Group's overdraft is also secured on the same facility, and the combined overdraft and RCF cannot exceed £90m (2020: £100m). The banking facility is repayable by May 2024.

The interest rate applicable to the facility is SONIA plus a margin rate. The margin rate is linked to the leverage ratio of the Group and the margin rate is reviewed at six monthly intervals.

11. Deferred tax

	2021 £'000	2020 £'000
Deferred tax asset		
Deferred tax asset at 1 January	122	153
Deferred tax credit/(charge) in profit and loss account for the year	180	(19)
Deferred tax credit/(charge) to other comprehensive income	276	(12)
Deferred tax asset at 31 December	578	122

At 2021 a deferred tax asset is recognised in relation to timing differences on fixed assets of £0.0m (2020: £0.0m) and share-based payments of £0.6m (2020: £0.1m). No deferred tax liability is recognised in respect of equity financial assets.

12. Called up share capital

	2021		2020	
	Shares	£'000	Shares	£'000
Authorised:				
Ordinary shares of 0.2 pence each	500,000,000	1,000	500,000,000	1,000
Issued and fully paid:				
At 1 January	105,158,950	210	104,158,950	208
Issued in the year	—	—	1,000,000	2
At 31 December	105,158,950	210	105,158,950	210

13. Reserves

Share premium

The amount subscribed for share capital in excess of nominal value less any costs attributable to the issue of new shares.

Share-based payment reserve

This represents the amount provided in the year in respect of share awards. The Company has operated long term incentive plans (including JSOP and CSOP) and a number of SAYE schemes for the employees in the Company and the Group. See note 14 to the *Group Financial Statements* for details of the LTIP, JSOP, CSOP, SIP/BAYE and the SAYE schemes. The effect of share-based payment transactions on the Company's profit for the period was a charge of £1.1m (2020: charge of £0.0m).

Fair value reserve

The fair value reserve is used to record the changes in fair value of equity financial assets.

14. Company profit/loss for the financial year after tax

The Company has not presented its own profit and loss account as permitted by section 408 of the *Companies Act 2006*. The profit after tax for the year was £41.0m (2020: £11.8m).

Remuneration paid to Directors of the Company is disclosed in note 14 to the *Group Financial Statements*.

The Company paid £0.4m (2020: £0.3m) to its auditor in respect of the audit of the Financial Statements of the Company.

Fees paid to the external auditor and their associates for non-audit services to the Company itself are not disclosed in the individual accounts of the Company because Group financial statements are prepared which are required to disclose such fees on a consolidated basis. These are disclosed in note 10 to the *Group Financial Statements*.

15. Pensions costs and commitments

Total contributions to the defined contribution schemes in the year were £48,556 (2020: £0.0m). The amount outstanding in respect of pensions as at 31 December 2020 was £nil (2020: £nil).

The Parent Company headcount at 31 December 2021 was three (2020: three).

16. Capital commitments

The Company had no capital commitments at 31 December 2021 (2020: none).

17. Related party transactions

During the year the transactions entered into by the Company are as follows:

	Sales to related parties £'000	Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Wholly owned subsidiaries				
2021	**—**	**—**	**21,699**	**67,584**
2020	—	—	28,798	107,229

	Sales to related parties £'000	Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Non-wholly owned subsidiaries				
2021	**—**	**—**	**—**	**544**
2020	—	—	10	545

18. Financial instruments – risk management

The Company's principal financial instruments comprise of financial assets such as fair value of unquoted shares and a cash overdraft, along with access to a £90m loan facility. The main purpose of these financial instruments is to raise finance for the Company's operations and to fund acquisitions. The Company has various financial assets and liabilities such as trade receivables, cash and short term deposits and trade payables, which arise directly from its operations.

It is the Company's policy that trading in derivatives shall not be undertaken. The Company may, from time to time and as necessary, enter into interest rate swaps for risk management purposes but did not hold any such swaps during either the current or prior year.

The Company is exposed through its operations to the following financial risks:

a. interest rate risk;

b. liquidity risk; and

c. credit risk.

Policy for managing these risks is set up by the Board following recommendations from the Group Chief Financial Officer. The policy for each of the above risks is described in more detail below.

Interest rate risk
The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligations with floating interest rates.

The majority of external Company borrowings are variable interest based and this policy is managed centrally.

18. Financial instruments – risk management (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings as follows. There is no material impact on the Company's equity.

	Increase/ decrease in basis point	Effect on profit before tax £'000
2021	+100	(64)
	-100	64
2020	+100	(130)
	-100	130

Liquidity risk

The Company aims to mitigate liquidity risk by managing cash generation by its operations, dividend policy and acquisition strategy. Acquisitions are carefully selected with authorisation limits operating up to Group Board level and cash payback periods applied as part of the investment appraisal process.

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool and daily cash-flow reporting. This includes consideration of the maturity of both its financial investments and financial assets (for example accounts receivable, and other financial assets) and projected cash-flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility for potential acquisitions through the use of its banking facilities.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2021 based on contractual undiscounted payments:

Year ended 31 December 2021

	On demand £'000	<3 months £'000	3–12 months £'000	1–5 years £'000	>5 years £'000	Total **£'000**
Interest-bearing loans and borrowings (including overdraft)	4,948	—	—	—	—	4,948
Trade and other payables	—	71,754	—	—	—	71,754
	4,948	71,754	—	—	—	76,702

Year ended 31 December 2020

	On demand £'000	<3 months £'000	3–12 months £'000	1–5 years £'000	>5 years £'000	Total £'000
Interest-bearing loans and borrowings (including overdraft)	13,928	276	843	14,585	—	29,632
Trade and other payables	—	108,159	—	—	—	108,159
	13,928	108,435	843	14,585	—	137,791

The liquidity risk of the Company entity is managed centrally by the Group Treasury function. The Company's cash requirement is monitored closely. The Company has a RCF with a syndicate of major banking corporations to manage longer term borrowing requirements.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains appropriate capital structure to support its business objectives, including any regulatory requirements, and maximise shareholder value. Capital includes share capital and other equity attributable to the equity holders of the parent.

In the medium to long term, the Company will strive to maintain a reasonable leverage (i.e. balance between debt and equity) to help achieve the Company's business objectives of growth (through acquisitions and organic growth) and dividend policy. In the short term, the Company does not have a set leverage ratio to be achieved but the Directors monitor the ratio of net debt to operating profit to ensure that the debt funding is not excessively high.

18. Financial instruments – risk management (continued)

Credit risk

There are no significant concentrations of credit risk within the Company.

Interest rate risk profile of financial assets and liabilities

Treasury policy is described in the note above.

The interest rate profile of the financial assets and liabilities of the Company at 31 December 2021 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	Total £'000
Floating rate					
Cash and cash equivalents	(4,948)	—	—	—	(4,948)
Loan notes	—	—	—	—	—
RCF	—	—	—	—	—

The effective interest rate and the actual interest rate charged on the loans in 2021 are as follows:

	Effective rate	Actual rate
RCF	1.1%	2.3%

The effective interest rate on the RCF during the year is higher than the actual rate due to commitment fees payable on undrawn amounts.

The interest rate profile of the financial assets and liabilities of the Company at 31 December 2020 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	Total £'000
Floating rate					
Cash and cash equivalents	(13,928)	—	—	—	(13,928)
Loan notes	—	—	—	—	—
RCF	—	(13,000)	—	—	(13,000)

The effective interest rate and the actual interest rate charged on the loans in 2020 are as follows:

	Effective rate	Actual rate
RCF	1.2%	1.0%

Fair values of financial assets and financial liabilities

The fair values for the majority of the financial instruments have been calculated by discounting the expected future cash-flows at interest rates prevailing for a comparable maturity period for each instrument. There are no material differences between the book value and fair value for any of the Company's financial instruments.

Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

18. Financial instruments – risk management (continued)

The following table provides the fair value measurement hierarchy of the company's assets and liabilities.

2021	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	4,610	—	—	4,610

2020	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	8,847	—	—	8,847

The fair value of equity financial assets that are not traded in the open market of £4.6m (2020: £8.8m) are using Level 3 techniques in accordance with the fair value hierarchy and Management use all relevant and up to date information (including cash-flow forecasts and financial statements) there appropriate a range of potential outcomes is considered in reaching a conclusion.

19. Events after the reporting period

In February 2022, LSL invested an additional £0.9m in its Pivotal Growth joint venture to fund its buy and build growth strategy.

Other Information

In this section

Definitions

"Adjusted Basic Earnings per Share" or "Adjusted Basic EPS" is defined at note 11 to the Financial Statements.

"Adjusted EBITDA" is Group Underlying Operating Profit (note 5 to the Financial Statements) plus depreciation on property, plant and equipment.

"AGM" Annual General Meeting.

"Advance Mortgage Funding" Advance Mortgage Funding Limited.

"Albany" Albany Insurance Company (Guernsey) Limited.

"Asset Management" refers to LSL's repossessions, asset management and property management services for multi-property landlords.

"Audit & Risk Committee" LSL's Audit & Risk Committee.

"Auditor Independence Policy" LSL policy relating to non-audit services provided by the external auditor.

"Basic Earnings per Share" or "EPS" is defined at note 11 to the Financial Statements.

"Board"/"Board of Directors" the board of Directors of LSL.

"BAYE" Buy As You Earn (also referred to as SIP).

"BDS" BDS Mortgage Group Limited.

"B2B" business to business.

"CAGR" compound average growth rate.

"Committees" refers to LSL's Nominations Committee, the Audit & Risk Committee and the Remuneration Committee.

"Company" and **"Parent Company"** refers to LSL Property Services plc.

"Corporate Governance Report" The Corporate Governance and Nominations Committee Report contained within this Report.

"Code" UK Code of Corporate Governance published by the Financial Reporting Council (FRC) (July 2018 edition).

"Company Secretary" Sapna B. FitzGerald.

"CJRS" Coronavirus Jobs Retention Scheme.

"CSOP" Company Share Ownership Plan.

"COVID-19" coronavirus.

"Data and Information Security Committee" or "DISC" LSL's Data and Information Security Committee.

"Davis Tate" trading name of Davis Tate Limited.

"Director" an Executive Director or Non Executive Director of LSL.

"Division(s)" refers to each of our Financial Services, Surveying & Valuation and Estate Agency divisions.

"DL&PS" or "Direct Life and Pension Services" or **"Direct Life and Pensions"** Direct Life and Pension Services Limited.

"DPO" Data Protection Officer.

"D2C" direct to consumer.

"EBITDA" Earnings, Before Interest, Taxes, Depreciation and Amortisation.

"Elsevier" Elsevier Limited.

"Embrace Financial Services" or **"EFS"** Embrace Financial Services Limited.

"EPS" Earnings per Share.

"Ernst & Young" Ernst & Young LLP.

"ESG" Environmental, Social and Governance.

"ESOS" Energy Savings Opportunity Scheme.

Definitions

"ESOT" LSL's employee share scheme.

"ESOT Trustees" Apex Financial Services (Trust Company) Limited.

"Estate Agency Division" or "Estate Agency" this refers to Residential Sales, Lettings and Asset Management businesses.

"e.surv" or "e.surv Chartered Surveyors" trading names of e.surv Limited.

"Executive Committee" Executive Committee of the Group, which includes the Executive Directors.

"Executive Director(s)" David Stewart, Adam Castleton and Helen Buck.

"EU" European Union.

"FCA" Financial Conduct Authority.

"Financial Services Division" or "Financial Services" or "FS" refers to LSL's financial services division (including mortgage, non-investment insurance brokerage services and the operation of LSL's intermediary networks).

"Financial Services D2C" or "D2C" refers to First2Protect and Embrace Financial Services.

"Financial Services Networks" refers to the PRIMIS Network and TMA mortgage club.

"Financial Services Other" refers to Pivotal Growth, New Homes businesses, D2C and technology businesses (Mortgage Gym and DL&PS).

"First2Protect" First2Protect Limited.

"First Complete" First Complete Limited.

"Financial Statements" financial statements contained in this Report.

"FRC" Financial Reporting Council.

"Global Property Ventures" refers to Global Property Ventures Limited.

"Group" LSL Property Services plc and its subsidiaries.

"Group First" Group First Limited, holding company of Mortgages First and Insurance First Brokers.

"Group Revenue" total revenue for the LSL Group.

"Group Underlying Operating margin" Group Underlying Operating Profit divided by Group Revenue.

"Goodfellows" trading name of GFEA Limited.

"Hawes" or "Hawes & Co" trading name of Hawes & Co Limited.

"HMRC" Her Majesty's Revenue and Customs.

"Homefast Property Services" Homefast Property Services Limited.

"Home Report" a report which includes a single survey, energy report and property questionnaire and which must accompany all residential property marketing in Scotland.

"IBNR" Incurred But Not Reported.

"ICO" Information Commissioner's Office

"IFRS" International Financial Reporting Standards.

"Insurance First Brokers" Insurance First Brokers Ltd.

"Intercounty" trading name of ICIEA Limited.

"JNP" trading name of JNP Estate Agents Limited.

"JSOP" joint share ownership plan.

"Korn Ferry" trading name of Korn Ferry Hay Group Limited.

"KPI" key performance indicators.

"Land & New Homes" LSL Land & New Homes Ltd.

"Lauristons" trading name of Lauristons Limited.

"Lawlors" trading name of Lawlors Property Services Limited.

"LMS" LMS Direct Conveyancing Limited and Cybele Solutions Holdings Limited.

"Linear" and **"Linear Financial Solutions"** are trading names of Linear Mortgage Network Limited.

"Living Responsibly Report" report published on our website setting out our Living Responsibly Strategy and programme.

"LSLi" LSLi Limited and its subsidiary companies (during 2021 these included JNP, Intercounty, David Frost Estate Agents Limited, Goodfellows, Davis Tate, Lauristons, Lawlors, Hawes & Co and Thomas Morris).

"LSL", "Group" and **"Parent Company"** refers to LSL Property Services plc and its subsidiaries.

"LSL Corporate Client Department" trading name of LSL Corporate Client Services Limited.

"LTIP" Long Term Incentive Plan.

"Management" refers to the Group's management teams.

"MAR" the UK Market Abuse Regulation.

"Marsh & Parsons" trading name of Marsh & Parsons Limited.

"Mortgages First" Mortgages First Ltd.

"Mortgage Gym" Mortgage Gym Solutions Limited.

"NBC Property Master" NBC Property Master Limited.

"Net Bank Debt" see note 33 to the Financial Statements.

"Net Cash" see note 33 to the Financial Statements.

"New Build" and **"New Homes"** refers to RSC New Homes and the Group First companies.

"NFM" non-financial measures.

"Non Executive Director" refers, during 2021, to Gaby Appleton, Darrell Evans, Bill Shannon, Simon Embley. Since 4 March 2022 it also includes Sonya Ghobrial.

"Notice of Meeting" the circular made available to shareholders setting out details of the AGM.

"Numis" Numis Securities Limited.

"OCI" refers to other comprehensive income.

"Palmer and Harvey" trading name of Palmer & Harvey McLane Limited.

"PDMRs" Persons Discharging Managerial Responsibility as defined in Article 3(1) (25) of UK MAR.

"Personal Touch Financial Services" or **"PTFS"** Personal Touch Financial Services Limited.

"Personal Touch Administration Services" or **"PTAS"** Personal Touch Administration Services Limited.

"Pivotal Growth" Pivotal Growth Limited.

"PI" professional indemnity.

"PI Costs" costs relating to ongoing and expected future PI claims relating to Surveying & Valuation business.

"Pollen Street Capital" or **"PSC"** Pollen Street Capital Limited

"PRIMIS Network" or **"PRIMIS"** a trading name of Advance Mortgage Funding, First Complete and Personal Touch Financial Services.

"RCF" Revolving Credit Facility.

"Reeds Rains" trading name of Reeds Rains Limited.

"Registered Office" Newcastle House, Albany Court, Newcastle Business Park, Newcastle upon Tyne, NE4 7YB.

"RELX" RELX Group plc.

"Report" LSL's Annual Report and Accounts 2021.

"RICS" Royal Institution of Chartered Surveyors.

"Road to Health" RoadtoHealth Group Ltd.

"RSC New Homes" or "RSC" RSC New Homes Limited.

"Sainsbury's" Sainsbury's Supermarkets Limited.

"SAYE" Save As You Earn.

"Senior Management Team" or "Senior Managers" includes three Executive Directors, and the Executive Committee and their direct reports, excluding PAs and administrators.

"SIP" Share Incentive Plan (also referred to as BAYE).

"Surveying Division" or "Surveying" refers to LSL's Surveying & Valuation business.

"Surveying & Valuation" refers to e.surv Limited (including where it trades as Walker Fraser Steel).

"Templeton" trading name of Templeton LPA Limited.

"The Property Franchise Group" or "TPFG" The Property Franchise Group plc.

"Thomas Morris" trading name of Thomas Morris Limited.

"The Mortgage Alliance" or "TMA" are trading names of Advance Mortgage Funding Limited's mortgage club.

"TM Group" TM Group Limited.

"Toolbox" PRIMIS's end-to-end customer services platform.

"TPO" The Property Ombudsman.

"Trust" LSL's SIP trust.

"Trustees" Link Market Services (Trustees) Limited.

"TSR" Total Shareholder Return.

"UKLA" UK Listing Authority.

"Underlying Operating Margin" operating profit before exceptional costs, contingent consideration, amortisation and share-based payments shown as a percentage of turnover.

"Underlying Operating Profit/Loss" before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments.

"VEM" or "Vibrant Energy Matters" Vibrant Energy Matters Limited.

"Walker Fraser Steele" a trading name of e.surv Limited.

"Your Move" trading name of your-move.co.uk Limited.

"Zeus" Zeus Capital Limited.

Shareholder Information (including forward looking statements information)

Company details

LSL Property Services plc
Registered in England (company number 5114014)
LEI Number 213800T4VM5VR3C7S706

Registered office

Newcastle House, Albany Court, Newcastle Business Park, Newcastle upon Tyne, NE4 7YB
Telephone: 0191 233 4600
Email: investorrelations@lslps.co.uk
Website: lslps.co.uk

Company Secretary's office

Howard House, 3 St Marys Court, Blossom Street, York, YO24 1AH
Email: investorrelations@lslps.co.uk

Share listing

LSL Property Services plc 0.2 pence ordinary shares are listed on the London Stock Exchange under ISIN GB00BIG5HX72

Registrar

Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL
Telephone: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Link Group is open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

Website: linkgroup.eu
Email: shareholderenquiries@linkgroup.co.uk

If you move, please do not forget to let the registrar know your new address.

Brokers:
Numis Securities Limited
Zeus Capital Limited

Calendar of events

Preliminary results released	16 March 2022
AGM proxy form deadline	25 May 2022
AGM	27 May 2022

The AGM will be held at Hilton London Paddington, 146 Praed Street, London W2 1EE at 1pm. The *Notice of Meeting* details the proposed resolutions.

In accordance with our *Articles of Association*, we publish shareholder information, including notice of AGMs and the Annual Report and Accounts on our website, lslps.co.uk. Reducing the number of communications sent by post not only results in cost savings to us, it also reduces the impact that unnecessary printing and distribution of reports has on the environment.

Our Articles of Association enable all communications between us and our shareholders to be made in electronic form (as permitted by the *Companies Act 2006*). Documents will be supplied via our website to shareholders who have not requested a hard copy or provided an email address to which documents of information may be sent. Where a shareholder has consented to receive information via the website, a letter will be sent to the shareholder on release of any information directing them to the website *(lslps.co.uk)*.

If a shareholder wishes to continue to receive hard copy documents, they should contact Link Group (details above).

Forward looking statements

By their nature, all forward looking statements involve risk and uncertainty because they relate to future events and circumstances and are subject to assumptions that are beyond the control of LSL including, amongst other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates, inflation, deflation, the impact of competition, changes in customer preferences, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities and the impact of tax or other legislation and other regulations in the UK. As a result LSL's actual future condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward looking statements. Nothing in this Report is intended to or should be construed as a profit forecast. Information about the management of the *Principal Risks and Uncertainties* facing LSL is set out within the *Strategic Report* on pages 22 to 26.

Any forward looking statements in this document speak only at the date of this document and LSL undertakes no obligation to update publicly or review any forward looking statement to reflect new information or events, circumstances or developments after the date of this document.

LSL Property Services plc
lslps.co.uk

Registered in England

(Company number 5114014)
Registered office:
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