

**LSL Property Services plc (“LSL” or “Group”)
FULL YEAR RESULTS TO 31 DECEMBER 2023**

**COMPLETION OF MAJOR TRANSFORMATION PROGRAMMES IN 2023
MOMENTUM BUILDING**

LSL today reports its results for the 12 months ended 31 December 2023.

The mortgage and housing markets were significantly disrupted in 2023, impacting the financial performance of the Group. However, following a positive final quarter of 2023, the preliminary results are slightly ahead of expectations. Momentum has continued to build further in 2024, particularly in our Surveying & Valuation Division. Over the first quarter, Underlying Operating Profit was materially above the same period in 2023, reflecting the benefits of the Group’s transformation programme completed in 2023 as well as improving market conditions.

The continued strong performance since our recent trading update on 6 March has reinforced the Board’s confidence, and our expectations for full year Underlying Operating Profit have increased again.

Net Cash was £35.0m at the year end with the final dividend maintained at 7.4p per share, and the Board today announces a Share Buy Back programme, following a review of capital structure and capital allocation policies. An initial £7m tranche will commence imminently.

David Stewart, Group Chief Executive commented:

“2023 marked a period of significant progress in our transformation to a higher margin, less capital-intensive business that will perform more consistently through market cycles. Against the backdrop of very challenging market conditions, we have simplified and restructured our Financial Services and Estate Agency businesses. Both are now focused on business-to-business services with a significantly lower cost base and the potential for higher free cash flow generation.

“Following this significant restructuring, LSL is now a more streamlined, agile Group comprising three market leading businesses with high return and organic growth opportunities that are well positioned to capitalise from the recent recovery in the housing and mortgage markets. Our focus is on maximising the performance of these businesses to deliver value to shareholders.

“I would also like to take the opportunity to give both my personal thanks and those of the rest of my colleagues to Simon Embley, who has decided to step down from the Board on 1 May. Simon’s contribution to LSL has been extraordinary, from its beginning in 2004 to the present day. I am delighted that we will continue to work closely with him as he focuses on the growth plans of our joint venture, Pivotal Growth, which has made substantial progress over the past year.”

STRATEGIC HIGHLIGHTS

Following the successful completion of our restructuring and transformation programmes, LSL is now a much simpler Group, and is expected to deliver higher operating margins, and more consistent earnings through market cycles.

- **Conversion of entire owned estate agency network to franchisees.** LSL is now one of the UK’s leading estate agency franchise businesses, supplying services to 308 territories
- **The sale of our four direct-to-consumer (B2C) financial service advice businesses was completed in April 2023 to Pivotal Growth,** our joint venture with Pollen Street Capital. LSL’s Financial Services core activities are now focused on business-to-business (B2B) services, while retaining

the opportunity to capitalise on B2C opportunities through our equity share in Pivotal Growth

- In August 2023, we announced the **acquisition of TenetLime mortgage network**, with completion taking place on 2 February 2024, following FCA approval and the successful migration and onboarding of over 150 network firms with over 250 advisers. The acquisition will be earnings enhancing in 2024 with the current financial performance in line with our targets
- **Disposal of Marsh & Parsons**, our London Estate Agency brand, which did not fit into our overall franchising strategy. Final consideration was £26.1m at an attractive multiple
- Completion of these projects means that the Group's **annualised cost base has been reduced by £140 million** representing 50% savings on an annualised basis

OTHER HIGHLIGHTS

- **Recruitment of a new Chair is well advanced**, and that of a **new Senior Independent Director** is also well underway. We will provide a further update in due course
- Following the expansion of Pivotal Growth, **Simon Embley will not seek re-election at the upcoming AGM** and will step down from the Board on 1 May 2024 to focus on executing Pivotal's growth plans
- **Capital structure and capital allocation policy reviewed**. Small net cash position to be maintained. Capital to be deployed at an appropriate risk adjusted margin above our Weighted Average Cost of Capital (WACC): currently 12%. Excess capital to be returned to shareholders
- **Share Buy Back programme** announced today, with initial £7m tranche. Commencement of programme is imminent
- **Full year dividend of 11.4p** (2022: 11.4p), with Final dividend maintained at 7.4p, reflecting strong balance sheet and Board's confidence in prospects
- **Agreed new RCF in February 2023 of £60m** with existing lenders, extending maturity to May 2026

FINANCIAL HIGHLIGHTS

The Group's strategic transformation means our 2023 financial results are less directly comparable to 2022. Our key financial highlights are:

Full year financial metrics ¹	2023	Restated ² 2022	Var
Group Revenue (£m)	144.4	217.5	(34)%
Group Underlying Operating Profit from total operations ³ (£m)	9.3	35.8	(74)%
Group Underlying Operating margin (%)	5%	11%	(600)bps
Group Underlying Operating Profit from continuing operations ⁴ (£m)	10.3	29.9	(66)%
Exceptional Gains (£m)	9.3	0.7	Nm
Exceptional Costs (£m)	(13.8)	(48.3)	71%
Group operating profit / (loss) (£m)	3.7	(21.7)	117%
Profit / (loss) before tax (£m)	4.9	(23.8)	121%
Loss from discontinued operations ⁴ (£m)	(46.1)	(36.5)	(26)%
Basic Earnings per Share ⁵ (pence)	7.9	(26.0)	130%
Adjusted Basic Earnings per Share ⁵ (pence)	7.6	27.6	(72)%
Net Cash ⁶ at 31 December (£m)	35.0	40.1	(13)%
Final Dividend per share (pence)	7.4	7.4	-
Full Year Dividend per share (pence)	11.4	11.4	-

Notes:

1 Stated on basis of continuing operations unless otherwise stated. Refer to notes 2 and 6 to the Financial Statements

2 Refer to note 36 to the Financial Statements for details regarding the restatement

- 3 Group (and Divisional) Underlying Operating Profit is stated before exceptional items, contingent consideration assets & liabilities, amortisation of intangible assets and share-based payments. Refer to note 5 to the Financial Statements for reconciliation of Group and Divisional Underlying Operating Profit to statutory operating profit/(loss) for continuing, discontinued and total operations
- 4 Following the conversion of the entire owned estate agency network to franchises in H1 2023, the previously owned network was classified as a discontinued operation and is now presented as such in the Financial Statements. Refer to notes 2 and 6 to the Financial Statements
- 5 Refer to note 12 to the Financial Statements for the calculation
- 6 Refer to note 35 to the Financial Statements for the calculation

- **Group Revenue from continuing operations¹ was £144.4m (2022: £217.5m).** After adjusting for disposals and discontinued operations in Estate Agency¹, revenue was around 10%² below prior year in a market in which purchase and remortgage lending was down 29% and house sales which were 19% lower
- **Group Revenue including discontinued operations^{1,3} in Estate Agency Franchise, was £176.8m (2022: £321.7m)**
- **Group Operating Profit was £3.7m (2022: loss of £21.7m)**
- **Group Underlying Operating Profit from total operations^{1,4} was £9.3m (2022: £35.8m),** slightly ahead of expectations, with disrupted markets particularly impacting results in the Surveying & Valuations Division
- **Group Underlying Operating Profit from continued operations^{1,4} was £10.3m (2022: £29.9m)**
- **Net Exceptional costs⁵ of £4.5m (2022: net costs £47.6m)**
- **Net Cash⁶ of £35.0m at 31 December 2023 (31 December 2022: £40.1m)**

DIVISIONAL PERFORMANCE

Financial Services Division

- Financial Services division transformed to **focus exclusively on business-to-business services** with the disposal of four businesses to Pivotal Growth, reducing divisional costs by around £30m annualised
- **Financial Services Network business traded resiliently** in difficult market conditions, reporting Underlying Operating Profit⁴ of £10.0m (2022: £15.5m)
- **Increased market share** of the UK purchase and remortgage market⁷ of 10.7% (2022: 10.5%)
- LSL advisers responded effectively to changes in the mortgage market **increasing product transfer mortgage completions by 41%** resulting in a substantially increased share of the product transfer market of 7.4% (2022: 6.4%)
- **Resilient protection sales** - Network protection revenue increased by 2% to £11.6m (2022: £11.3m)
- **The number of Network firms** remained broadly flat at 1,000 on 31 December 2023 (31 December 2022: 1,005). Network firms remained cautious on adviser levels due to challenging market conditions and adviser numbers reduced to 2,661 as at 31 December 2023 (31 December 2022: 2,867)

Surveying & Valuation Division

- Surveying & Valuation performance was impacted by **significant reductions in valuation instructions across the market** and as a result Underlying Operating Profit⁴ fell to £5.4m (2022: £20.4m)
- Market share of **valuation instructions increased slightly to 38%** (2022: 37%)
- **Early signs of market recovery in Q4 2023**, with significant improvement in 2024
- **Contract with Lloyd's Banking Group extended to September 2028**, underpinning the Group's leading market position. Furthermore, we also secured an improvement in terms and allocation with another major lender
- **Retained contracts with all lending customers** with no loss in allocations
- **Self-help cost measures** were taken in 2023, including a reduction in the number of employed surveyors, achieved through voluntary redundancy. Our principal focus was to retain sufficient capacity to meet the requirements of more normal market conditions, and the business carried

material excess costs in 2023, over the level of demand. All capacity is now fully deployed in Q1 2024, as the market recovered

- **Surveying profit in Q1 2024 was greater than the whole of 2023** as we benefited from recovering markets, improved contract terms and renewals, as well as the decision to retain excess capacity during 2023

Estate Agency Franchising Division

- **Estate Agency Franchising Division transformation** following the conversion of owned branch network to Franchisees and disposal of Marsh & Parsons leading to divisional annualised cost reductions of c.£110m and thereby reducing earnings volatility
- **Benefits of new business model** were reflected in an Underlying Operating Profit⁴ of around £5m in the 8-month period since the franchising change in May 2023, with H2 operating margins around 25%. This compared to a loss of around £0.3m for the first 4 months of the year under the old business model. Total Underlying Operating Profit⁴ for 2023 of £4.7m was delivered during a period when there was a market-wide reduction of 19% in house sales, to the lowest level for 11 years
- In the first month of 2024, the Estate Agency Division reported a profit for only the second time in its history, reflecting the **more consistent earnings** of the franchise model
- The number of properties under management increased by 1% to 37,502 (2022: 37,177) demonstrating the **resilience of lettings through market cycles**

Pivotal Growth JV

- **Pivotal Growth now has over 400 advisers**, making it one of the **largest mortgage and protection brokers in the UK**, giving it critical mass to leverage its scale to attract deals and drive revenue synergies
- **Acquisition during 2023 of four direct-to-consumer financial services advice businesses** from LSL Group for initial consideration of £9.3m, and further contingent consideration payable to LSL in 2025 based upon 7x 2024 EBITDA performance
- These acquisitions **further increased Pivotal Growth's scale, expertise and capability** serving New Build, Estate Agency, and General Insurance customers
- **Three further acquisitions have completed so far during 2024** including the acquisition of John Charcol with 150 mortgage and protection advisers. The acquisitions were funded from Pivotal cash reserves
- **Pivotal Growth's financial performance has steadily improved** as it has increased in scale and moved out of its establishment phase. Pivotal is expected to be profitable in 2024

ECONOMIC AND MARKET ENVIRONMENT

- Conditions in both the mortgage and housing markets were challenging, with disruption to normal lender behaviour and consumer confidence impacted by continuing high inflation and interest rate rises
- The mortgage lending market⁷ remained suppressed, with total lending 9% less than 2022. Purchase lending fell by 31% compared to 2022, and remortgage lending decreased by 25% whilst product transfer lending increased by 21% triggered by the sharp increase in interest rates impacting mortgage affordability
- Total lending arranged by LSL was 9% lower than 2022, with an increased share in each of the purchase, remortgage and product transfer markets, and more heavily weighted than previously to product transfers. LSL's share of the total purchase and remortgage market increased to 10.7%⁷ (2022: 10.5%). LSL's market share of Product Transfers increased to 7.4% (2022: 6.4%)
- Bank of England mortgage approvals⁸ were 30% lower than 2022. The more specialist markets of

Buy-to-Let and Equity release were particularly affected by higher interest rates. There was also an increase in the proportion of house purchases by cash buyers. These factors together with the shift to product transfer business significantly affected our Surveying & Valuation business and to a lesser extent our Financial Services network businesses. Total jobs performed by the Surveying & Valuation Division fell by 26%, less than the market as a whole, reflecting a small increase in market share⁷

- Total UK HMRC recorded residential transactions⁹ were 19% lower in 2023 at 1,019k (2022: 1,258k)

CURRENT TRADING AND OUTLOOK

2024 has started strongly with improving sentiment and lower mortgage rates driving more activity across our core markets. We have seen an increase in mortgage approvals as well as housing transactions and the start of a normalisation in product mix in our mortgage business. These conditions have particularly benefited our Surveying & Valuation business, where there has been a very substantial increase in activity and profits.

It was against this background of improving activity and Group trading that we issued a trading update on 6 March, since which time trading has remained ahead of expectations. At the end of Q1 2024, Group Underlying Operating Profit was materially ahead of the same period in 2023. This improved trading reflects better market conditions as well as the benefits of the new Estate Agency franchise model, improved lender contracts, and our decision to retain surplus capacity throughout the second half of 2023 in our Surveying & Valuation business.

Although we retain a degree of caution, inflation data still suggests that interest rates will reduce in 2024, which would help support our markets. This, together with the strong performance since our recent trading update on 6 March, reinforces the Board's confidence, and our expectations for full year Underlying Operating Profit have increased further.

Notes:

- 1 Following the conversion of the entire owned estate agency network to franchises in H1 2023, the previously owned network was classified as a discontinued operation and is now presented as such in the Financial Statements. Refer to notes 2 and 6 to the Financial Statements
- 2 Revenue: £138.1m in 2023 with statutory revenue of £144.4m less £6.2m revenue from businesses disposed in 2023, as compared to £154.1m in 2022 with statutory revenue of £217.5m less £63.4m revenue from businesses disposed in 2023
- 3 Refer to note 4 of the Financial Statements
- 4 Group (and Divisional) Underlying Operating Profit is stated before exceptional items, contingent consideration assets & liabilities, amortisation of intangible assets and share-based payments. Refer to note 5 to the Financial Statements for reconciliation of Group and Divisional Underlying Operating Profit to statutory operating (loss)/profit for continuing, discontinued and total operations
- 5 Refer to note 9 to the Financial Statements
- 6 Refer to note 35 to the Financial Statements for the calculation
- 7 Mortgage lending excluding product transfers - New mortgage lending by purpose of loan, UK (BOE) – Table MM23 (Jan 2024)
- 8 Number of Approvals for lending secured on dwellings, BoE via UK Finance (Jan 2024)
- 9 Number of residential property transaction completions with value £40,000 or above, HMRC (Jan 2024)

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Notes on LSL

LSL is one of the largest providers of services to mortgage intermediaries and estate agent franchisees.

Its c.2,900 advisers represent around 11% of the total purchase and remortgage market. PRIMIS was named Best Network, 300+ appointed representatives at the 2022 Mortgage Strategy Awards.

Its 61 estate agency franchisees operate in 308 territories.

LSL is also one of the UK's largest providers of surveying and valuation services, supplying seven out of the eight largest lenders in the UK. e.surv was named Best Surveying Firm at the 2022 Mortgage Finance Gazette Awards.

For further information please visit LSL's website: [lslps.co.uk](https://www.lslps.co.uk)

GROUP CHIEF EXECUTIVE'S REVIEW

2023 was a year of significant progress, with the Group's transformation to a structurally higher margin, lower capital intensity business now complete. We have restructured both our Financial Services Network and our Estate Agency Franchising Division, which are now exclusively focused on business-to-business services, with a materially lower cost base and the potential for higher free cash flow generation. As a result of the work we have done, LSL is now well-positioned to drive greater shareholder value and to perform more consistently through market cycles, supported by a strong balance sheet.

With the benefit of the restructuring and transformation programmes complete, the Board and management are focused now on maximising the operational potential in the business and ensuring that this potential is appropriately reflected in the wider perceptions of LSL. To that end, the Board also remains actively engaged with its shareholders with the common aim to drive shareholder value, including return on investment and capital management.

Our strategic progress has been delivered against a difficult market backdrop. Rising interest rates and higher mortgage costs significantly impacted the size and product mix in the mortgage market whilst reducing housing transactions by 19%, impacting the financial performance in each of our divisions. We ended the year with some early signs of green shoots in the mortgage and housing markets as mortgage rates started to come down. Our full year results are slightly ahead of the Board's previous expectations, and I am pleased to report that 2024 has started strongly, with performance significantly ahead of prior year.

Our transformation programme has delivered material cost savings and reduced our cost base by 50% on an annualised basis. Combined with a new bank facility, disposal proceeds and enhanced financial flexibility due to the Group's strategic progress, we have strengthened our balance sheet further. We ended the year with £35.0m of Net Cash¹.

Following the completion of our restructuring programme, the Board has reviewed the Group's capital structure and capital allocation policies. Going forward the Board expects the Group's strong profit to cash conversion dynamics it has historically displayed to continue, and the Group to have only small working capital requirements.

With a clear prioritisation of organic growth in our existing three Divisions, the Group only needs to hold a small net cash position, of up to £10m. Cash above this level after dividends and capex requirements, expected to be £3-5m per annum, will be considered excess and returned to shareholders.

Capital allocation will prioritise organic growth measured against a risk adjusted return above the Group's cost of capital. While not a priority, the Board will continue to assess inorganic growth, using the same criteria of risk adjusted returns above the Group's cost of capital.

Given this framework, the Board has concluded that LSL currently has £7m of excess capital at this time, reflecting cash requirements for Pivotal, contingent consideration for TenetLime, and Estate Agency franchise restructuring costs as previously disclosed. The Group plans to return this through a Share Buy Back Programme which it intends to commence imminently.

I would like to thank all my colleagues for their continued hard work and exceptional support in the transformation of the Group.

Review of 2023 Performance

The Group's performance was naturally affected by the headwinds that impacted the mortgage and housing markets, whilst the significant transformation activity completed in the year does mean that our 2023 financial results are less directly comparable to 2022.

Group Revenue from continuing operations² was £144.4m (2022: £217.5m). After adjusting for disposals and discontinued operations in Estate Agency², revenue was 10%³ below prior year in a new lending market that was 29% lower by value and a housing market down 19%.

Group Underlying Operating Profit from continuing operations^{2,4} was £10.3m (2022: £29.9m) and Group Underlying Operating Profit from total operations^{2,4} was £9.3m (2022: £35.8m). These figures include costs carried in Surveying & Valuation above demand, losses in businesses disposed of in the period and one-off cost-of-living payments for lower-paid staff.

Financial Services Division

Our PRIMIS network has maintained its leading position in the provision of services to independent mortgage brokers. It is in more challenging market conditions that the advantages of the small, independent, client-focused broker business model is best demonstrated, and in 2023 this was reflected in our advisers' strong market share.

The rise in mortgage rates has resulted in a market wide increase in lower margin product transfer cases, as lenders remain conservative with respect to new borrowers, and this has naturally had some impact on revenue and profits. Our members responded positively to these market developments, with the value of product transfer cases increasing by 41%. Total LSL mortgage lending reduced to £41.7bn (2022: £45.6bn).

We increased our share of the purchase and remortgage and of the product transfer markets, with a record share of the purchase and remortgage (10.7%⁵ up from 10.5%) and the product transfer markets (7.4% up from 6.4%). Protection performance was also robust, with Network protection revenue increasing by 2%. This performance is reflected in Financial Services Network revenue which fell by just 5.2% to £39.5m (2022: £41.6m).

Network Underlying Operating Profit was £10.0m (2022: £15.5m) reflecting the impact on revenue of market dynamics as well as increased costs including those arising from emerging regulatory requirements, inflationary salary increases targeted at lower paid employees and executive team restructuring.

Financial Services Other reported a loss of £3.0m (2022: loss of £2.6m) which was in-line with our expectations, as we continued to refocus our Mortgage Gym and DLPS technology businesses towards our core Network business, absorbing their operations and commercial focus into the Network business. To reflect this dynamic, from 1 January 2024 we will report results in our Financial Services Division in just two business lines: our core Financial Services Network business comprising PRIMIS and TMA mortgage club, and our share of profit after tax of Pivotal Growth.

Total Financial Services Division Underlying Operating Profit⁴ was £7.0m (2022: £12.8m). On a statutory basis, operating profit was £5.0m (2022: loss of £7.2m).

Our PRIMIS network retains a leading market position which at the start of 2024 was boosted by the completion of the TenetLime acquisition. Our new senior management team is focused on leveraging this strong member base to deliver organic growth whilst taking advantage of improving market conditions in 2024.

Surveying & Valuation Division

Our Surveying & Valuation business has performed very strongly in recent years, increasing market share, and in 2021 and 2022, it returned to operating margins above 20%. I believe it to be the leading business in its sector and we were pleased to confirm recently that we have extended our contract with Lloyds Banking Group until September 2028, further enhancing our leading market position.

The mortgage market in 2023 was extremely challenging for all valuation businesses. The significant increase in product transfer cases, where no valuation is needed, created a major headwind as did reduced activity in the purchase market as well as specialist equity release and buy-to-let sectors, where both supply and demand were reduced by the rapid rise in interest rates. This resulted in surplus capacity and a very competitive market for new instructions, and it is testament to the quality of service provided by our team that we increased further our share of valuations instructions.

Underlying Operating Profit⁴ was £5.4m (2022: £20.4m) reflecting reduced activity in our markets and our decision to retain capacity to support a more normal level of activity.

Self-help cost measures were taken in 2023, including a reduction in the number of employed surveyors, achieved through voluntary redundancy. However, our principal focus was to retain sufficient capacity to meet the requirements of more normal market conditions, and the business carried material excess costs in 2023, over the level of demand. We have been pleased to fully deploy the excess capacity in quarter one 2024, with the market recovering earlier than expected.

Surveying profit in quarter one 2024 was greater than for the whole of 2023 as we benefited from recovering markets, contract renewals, and the decision to retain excess capacity during 2023, with strong performance continuing in April.

The much smaller overall market resulted in a reduction in Surveying & Valuation revenue to £67.8m (2022: £93.2m). On a statutory basis, operating profit was £2.0m (2022: £20.8m).

We have identified medium-term opportunities to increase our diversification and reduce reliance on lender valuations and our exposure to mortgage market cycles, with the development of new revenue streams providing data services to lenders and other clients and by growing revenue from direct-to-consumer ("D2C") surveys. We have seen good growth in D2C in recent years, with revenues from this source having doubled between 2019 and 2022. Despite the more challenging conditions, 2023 revenue of £3.6m was unchanged from 2022.

Estate Agency Franchising Division

Before this year, most of the Group's cost base was incurred in operating a large network of owned estate agency branches. This meant that the Group was significantly exposed to changes in the number of housing transactions, whilst the capital required to increase the number of branches represented a barrier to growth. Furthermore, any expansion in the branch network would have increased our fixed cost base and consequent exposure to housing market cycles further.

After an extensive strategic review, the Board decided to transform our estate agency operations, moving from a predominantly owned model to one entirely focused on the provision of franchise services. After an extensive programme of work, we announced on 4 May the conversion of our owned network of 183 branches to franchisees. This announcement followed the disposal in January of our London estate agency business, Marsh & Parsons, for total consideration of £26.1m⁶ which did not form part of our overall franchise strategy.

I am pleased to report that this transformation programme was executed smoothly, with the financial performance since the change being ahead of our expectations. I am also clear that it was a

significantly more profitable business model under the market conditions that emerged in 2023 than the previous owned model.

On a reported continuing basis, Estate Agency Franchising business revenue was £24.9m (2022: £42.6m), primarily reflecting the disposal of Marsh & Parsons, and the conversion of owned branches to franchises.

The benefits of the new business model were reflected in an Underlying Operating Profit⁴ of around £5m in the eight-month period since the franchising change in May 2023, with operating margins in H2 above 25%. This compares to a loss of around £0.3m for the first four months of the year under the old business model. Total Underlying Operating Profit⁴ for 2023 of £4.7m was delivered during a period when there was a market-wide reduction of 19% in house sales, to the lowest level for 11 years. The greater consistency of the franchising model was demonstrated further at the start of 2024 when the Division reported a profit in January for only the second time in its history.

Estate Agency and Franchising business revenue including discontinued operations was £57.2m (2022: £146.8m) and Underlying Operating Profit from total Estate Agency operations was £4.7m (2022: £9.9m profit). On a statutory basis, operating loss from total operations was £41.0m (2022: loss of £61.2m).

To reflect the change in the structure of the Group, from 1 January 2024, our asset management business which provides repossession services to corporate clients and is currently reported within the Estate Agency Division, will be reported within the Surveying & Valuation Division, as the key commercial relationships for this business are with major lenders. The profit generated by this business was £1.3m in 2023.

Strategic priorities and development

The Group has made substantial progress implementing its strategy to simplify the business, reduce earnings volatility, and focus investment in high growth areas.

Following this restructuring the Group now has a strong platform across all three of its divisions to further develop strategic priorities for each business and leverage our market leading positions as lending and housing activity recovers from a difficult market in 2023.

Estate Agency Franchising model

Perhaps the most significant development came in May 2023 when we confirmed our plans to convert our entire owned Estate Agency network to a franchising model, and in doing so LSL has become one of the largest providers of estate agency franchise services in the UK. The execution of the change has gone well, and we are ahead of the plans we set for reducing costs and increasing margin.

With the completion of the conversion of our Estate Agency business to a franchise model during 2023, we are now focused on further enhancing our franchising expertise to bring on new partners and develop our services for franchisees.

Prior to the announcement of our franchising programme, in January 2023, we announced the sale of our London estate agency business, Marsh & Parsons, for total consideration of £26.1m⁶ at an attractive multiple. We did not consider Marsh & Parsons was suitable for our franchising operation.

Focus on B2B in Financial Services

The first half of 2023 also saw us take the last steps to focus financial services activity exclusively on business-to-business services, through our PRIMIS network and TMA mortgage club. The disposals announced in April 2023 of our mortgage, protection, and general insurance brokerage firms, Embrace

and First2Protect, to Pivotal Growth, followed on from transactions in January 2023 when we similarly sold our new build focused brokerage businesses, RSC and Group First, to Pivotal. These transactions simplify our Financial Services Division, reducing costs and reducing earnings volatility, whilst retaining LSL's capability to capitalise on B2C opportunities through our equity share in Pivotal.

Increasing scale in the Financial Services Network

In August, we took the opportunity to add further scale to our PRIMIS Network business, announcing the acquisition of the TenetLime mortgage and protection network. This deal, which adds more than 250 advisers across over 150 firms, completed on 2 February 2024, building on our share of over 10% of the UK house purchase and remortgage markets. The transaction will be earnings enhancing in 2024.

We have already successfully carried out the migration and onboarding of the firms, and the current financial performance is in line with our plan. We remain on track to achieve our investment hurdle target for this acquisition.

The consideration payable is expected to be up to £11.6m consisting of an initial payment of £5.7m, a further payment of up to £4.6m, calculated by reference to the number and turnover of appointed representative firms 12 months following completion and an expected payment of £1.4m for assets which form part of TenetLime's regulatory capital.

Investment in management

Our Financial Services Division has welcomed a new managing director bringing significant experience in the mortgage network market as well as a number of other senior executives. These appointments follow the retirement of long-standing colleagues, and I would like to thank them for their contribution to LSL.

Surveying & Valuation contract renewals

I am delighted to report that our Surveying & Valuation Division extended its contract to supply surveying and valuation services to Lloyds Banking Group to September 2028, underpinning our leading market position. We also secured an improvement in terms and allocation with another major lender as well as contracts with a number of other smaller players. We continue to explore new business opportunities in data and direct-to-consumer services.

Pivotal Growth Joint Venture

It is now three years since we launched Pivotal Growth, our joint venture with Pollen Street Capital (PSC), established to execute a buy-and-build strategy in the mortgage and protection intermediary markets. Working with Pollen Street Capital allows the Group to cap its maximum investment whilst benefiting from Pollen Street's considerable experience of executing similar strategies in related markets. Our joint aim is to build the business together with a view to an exit event over a three-to-six-year period after launch. All major strategic decisions require agreement by both LSL and PSC.

The advantages of a buy-and-build strategy include economies of scale, synergies between acquired companies, deployment of integrated technology and the potential for a larger and scalable business to benefit from enhanced multiples on exit.

Following a slower than expected start, as Pivotal maintained a disciplined approach to deal price, it has acquired 12 businesses and currently has over 400 advisers, making it one of the largest mortgage brokers in the UK. This includes three acquisitions made in 2024, including that of John Charcol, a firm with 150 advisers. Pivotal's scale improves its ability to win new distribution agreements, drive

synergies and make it a more compelling proposition for future acquisition partners. The acquisitions made to date have integrated and synergies are being delivered.

We have invested £11m in Pivotal since 2021 and we estimate that we could make further investment of up to £15m over the next three years by way of equity and loan notes, subject to the timing and size of deal flows and the introduction of any external debt.

We continue to closely monitor Pivotal's performance to maximise returns for shareholders and it remains on track to deliver returns comfortably ahead of the Group's WACC.

In addition, Pivotal offers further potential opportunities for our PRIMIS mortgage network, including developing services for larger brokers and assisting other PRIMIS members to capitalise on additional new business opportunities, for example in some specialist mortgage sectors.

Pivotal's financial performance has steadily improved as it has increased in scale and moved out of its establishment phase. Pivotal is expected to be profitable in 2024.

Capital structure and capital allocation

An Investment Committee is in place to review investment proposals and the performance of previous investments against the original business cases and Group hurdle rate, and to identify any learnings for future capital allocation decisions. The work of the Investment Committee allows the Board to assess the Group's projected near and medium-term capital requirements. This facilitates an appropriate capital structure and capital allocation policy, taking into account economic conditions, the Group's improved resilience to market cycles and organic and inorganic opportunities.

Following the completion of the major strategic programmes by the business in 2023, the Investment Committee has reviewed the Group's capital structure and capital allocation policies.

The Board has held a cash balance for some time given recent uncertain markets and to provide financial flexibility to take advantage of any material inorganic opportunities. After reviewing its cash flow requirements, and the high cash generating nature of our business model, the Board has concluded the Group requires up to £10m of net cash.

The Board prioritises organic growth investments that deliver risk adjusted returns above Group cost of capital and paying an attractive dividend to shareholders. Our end markets are large, and the Board see significant attractive organic growth opportunities over the medium-term. While not a priority today, inorganic investments are assessed against the same criteria. The Group's WACC is 12% (post tax). Today, the Board's focus is on optimising returns in our core businesses and driving organic growth in our large addressable markets. This will require modest capital expenditure that will be funded by free cash flow generation. Other cash requirements such as contingent consideration for TenetLime, Estate Agency restructuring costs, and further investment in Pivotal Growth, will also be funded by free cash flow generation. Any excess capital will be distributed to shareholders.

Capital expenditure and investments

We remain committed to investing in the business to support growth. During the year, we deployed capital in the Divisional restructuring and transformation programmes, capital expenditure which was focused on capability and technology to support future organic growth and the settlement of contingent consideration in RSC ahead of its disposal and further investment in Pivotal Growth. Following the year end we invested an initial consideration of £5.7m for the acquisition of TenetLime.

The new Group operating model is less capital intensive, which is reflected in lower capital expenditure requirements, typically expected to be in the region of £3-5m per annum. The Group also

expects to invest up to £15m in Pivotal Growth over the next three years. In addition, the Group expects one-off cash investments of up to £6m for further contingent consideration on TenetLime and up to £7m for restructuring costs relating to Estate Agency franchising, as previously disclosed.

Dividend

The Board has reviewed the final dividend, considering the Group's policy to pay out 30% of Group Underlying Operating Profit after finance and normalised tax charges, so that dividend cover is held at approximately three times earnings over the business cycle. This policy was designed to provide clarity to shareholders and ensure the Group retained a strong balance sheet for all market conditions.

The strategic progress made by the Group in 2023 has underpinned the Board's confidence in the future. We have secured material cost savings and now operate a higher margin and lower capital-intensive business following the restructuring in Financial Services and Estate Agency. The Group balance sheet is robust with Net Cash¹ of £35.0m at 31 December 2023, boosted by disposal proceeds. This strong cash position, the anticipated significant increase in profit in 2024 and the Board's confidence in the Group's prospects, allows the Board to declare a final dividend of 7.4 pence per share, unchanged on last year, making a total dividend of 11.4 pence per share.

The ex-dividend date for the final dividend is 9 May 2024, with a record date of 10 May 2024 and a payment date of 28 June 2024. Shareholders can elect to reinvest their cash dividend and purchase additional shares in LSL through a dividend reinvestment plan. The election date is 24 May 2024.

Living Responsibly and ESG

'Living Responsibly' is at the heart of our business and is how we deliver our ESG programme. I am clear that LSL's success needs to be measured not only in the profits we generate, but the impact we have on the communities in which we operate.

In our ESG and our Living Responsibly reports published in April 2023, we set out some of the steps we have taken to reduce our environmental impact, help ensure LSL is a supportive and inclusive workplace, and provide support to good causes. A further updated report will be published shortly. In this update, we will describe the very significant progress made to embed "Living Responsibly" throughout the Group. In the past year, this included establishing "LSL Voices", a colleague driven initiative to provide help and support to staff from diverse backgrounds. I am also pleased to report that all colleagues receive at least the Real Living Wage. We have continued to focus on volunteering and fund-raising for good causes via our Communities Forum, whilst progress against our environmental targets will also be set out in our Annual Report & Accounts.

I am very grateful for the incredible support provided by colleagues, not only to our Living Responsibly work but also in delivering such significant transformation during what has been a highly challenging period. Their hard work and commitment have put LSL in a much stronger position to take advantage of future opportunities.

CURRENT TRADING AND OUTLOOK

2024 has started strongly with improving sentiment and lower mortgage rates driving more activity across our core markets. We have seen an increase in mortgage approvals as well as housing transactions and the start of a normalisation in product mix in our mortgage business. These conditions have particularly benefited our Surveying & Valuation business, where there has been a very substantial increase in activity and profits.

It was against this background of improving activity and Group trading that we issued a trading update on 6 March, since which time trading has remained ahead of expectations. At the end of Q1 2024, Group Underlying Operating Profit was materially ahead of the same period in 2023. This improved

trading reflects better market conditions as well as the benefits of the new Estate Agency franchise model, improved lender contracts, and our decision to retain surplus capacity throughout the second half of 2023 in our Surveying & Valuation business.

Although we retain a degree of caution, inflation data still suggests that interest rates will reduce in 2024, which would help support our markets. This, together with the strong performance since our recent trading update on 6 March, reinforces the Board's confidence, and our expectations for full year Underlying Operating Profit have increased further.

David Stewart

Group Chief Executive Officer

24 April 2024

Notes:

- 1 Refer to note 35 to the Financial Statements for the calculation
 - 2 Following the conversion of the entire owned estate agency network to franchises in H1 2023, the previously owned network was classified as a discontinued operation and is now presented as such in the Financial Statements. Refer to notes 2 and 6 to the Financial Statements
 - 3 Revenue: £138.1m in 2023 with statutory revenue of £144.4m less £6.2m revenue from businesses disposed in 2023, as compared to £154.1m in 2022 with statutory revenue of £217.5m less £63.4m revenue from businesses disposed in 2023
 - 4 Group (and Divisional) Underlying Operating Profit is before exceptional items, contingent consideration assets & liabilities, amortisation of intangible assets and share-based payments. Refer to note 5 to the Financial Statements for reconciliation of Group and Divisional Underlying Operating Profit to statutory operating (loss)/profit for continuing, discontinued and total operations
 - 5 Mortgage lending excluding product transfers - New mortgage lending by purpose of loan, UK (BOE) – Table MM23 (Jan 2024)
 - 6 Refer to note 9 to the Financial Statements
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FY P&L (£m)	2023	Restated¹ 2022	Var
Divisional Group Revenue²			
<i>Financial Services Network (net revenue)</i>	39.5	41.6	(5)%
<i>Financial Services Other</i>	12.2	40.1	(70)%
Financial Services	51.7	81.7	(37)%
Surveying & Valuation	67.8	93.2	(27)%
Estate Agency Franchising	24.9	42.6	(42)%
Group Revenue	144.4	217.5	(34)%
<i>Estate Agency - discontinued operations</i>	32.3	104.3	(69)%
Group Revenue (incl. discontinued operations)	176.8	321.7	(45)%
Divisional Underlying Operating Profit/(Loss)^{2,3}			
<i>Financial Services Network</i>	10.0	15.5	(35)%
<i>Financial Services Other</i>	(3.0)	(2.6)	(15)%
Financial Services	7.0	12.8	(45)%
Surveying & Valuation	5.4	20.4	(74)%
Estate Agency Franchising	5.6	3.9	44%
Unallocated Central Costs	(7.7)	(7.3)	(5)%
Group Underlying Operating Profit from continuing operations	10.3	29.9	(66)%
<i>Estate Agency - discontinued operations</i>	(1.0)	6.0	(117)%
Group Underlying Operating Profit from total operations	9.3	35.8	(74)%
Divisional operating profit/(loss)^{2,3}			
Financial Services	5.0	(7.2)	169%
Surveying & Valuation	2.0	20.8	(90)%
Estate Agency Franchising	4.4	(26.8)	116%
Unallocated Central Costs	(7.7)	(8.5)	9%
Group operating profit/(loss) from continuing operations	3.7	(21.7)	117%
<i>Estate Agency - discontinued operations</i>	(45.3)	(34.3)	(32)%
Group Operating Loss from total operations	(41.6)	(56.0)	26%

Notes:

1 Refer to note 36 to the Financial Statements

2 Following the conversion of the entire owned estate agency network to franchises in H1 2023, the previously owned network was classified as a discontinued operation and is now presented as such in the Financial Statements. Refer to notes 2 and 6 to the Financial Statements

3 Group (and Divisional) Underlying Operating Profit is before exceptional items, contingent consideration assets & liabilities, amortisation of intangible assets and share-based payments. Refer to note 5 to the Financial Statements for reconciliation of Group and Divisional Underlying Operating Profit to statutory operating (loss)/profit for continuing, discontinued and total operations

FINANCIAL REVIEW

Income Statement

Group Revenue from continuing operations¹ was £144.4m (2022: £217.5m). After adjusting for disposals and discontinued operations in Estate Agency, revenue was 10%² below prior year in a housing market 19% lower and in a smaller lending market. Including discontinued operations in Estate Agency, revenue from total operations was £176.8m (2022: £321.7m), reflecting the previously owned network revenues.

Group Underlying Operating Profit from total operations^{1,3} of £9.3m (2022: £35.8m) includes excess capacity costs carried in Surveying & Valuation, £1m from losses in businesses disposed of in the period and a one-off cost-of-living payment totalling £0.9m for lower-paid staff. Group Underlying Operating Profit from continuing operations was £10.3m (2022: £29.9m).

Group Operating Profit was £3.7m (2022: loss of £21.7m), a material improvement compared to the prior year which included an exceptional impairment charge for goodwill and other intangibles of £47.2m.

Adjusted operating expenditure⁴, comprises Employee costs, Other operating costs, and Depreciation and totalled £133.5m in 2023, 29% lower than prior year (2022: £188.4m), with the movement comprising the net effect of the following factors:

- Disposal of businesses during the period
- Reduction in depreciation due to the disposal of businesses during the period which led to the reclassification of IFRS 16 depreciation into Other Operating Expenses because of the franchising of the Estate Agency branch network
- Reduced costs in Surveying & Valuation through self-help measures and reduced variable costs
- Increased costs in Financial Services including those arising from emerging regulatory requirements, inflationary salary increases targeted at lower paid employees and executive team restructuring
- The amounts included for Estate Agency represent those for the expanded continuing franchising business
- Central (unallocated) costs of £7.7m (2022: £7.3m) included staff restructure costs and increased audit fees

The Group exited 2023 with costs over 50% lower than 2022, reflecting an annualised total operations cost reduction of c.£140m.

Other (losses)/gains

Total other operating losses were £0.2m (2022: gains of £1.3m). This primarily reflected the movement in the fair value of units held in The Openwork Partnership LLP (loss of £0.3m, 2022: gain £0.7m), having been reassessed at 31 December 2023 as £0.4m (31 December 2022: £0.7m). The prior year also included external rental income of £0.7m, no longer applicable following the wholesale franchising of the Estate Agency branch network.

Share of losses from joint venture

Losses from our equity share of Pivotal Growth reduced to £0.4m (2022: £0.5m loss).

Share-based payments

The share-based payment credit of £0.2m in 2023 (2022: charge of £1.9m) comprises, a charge in the period of £3.0m for LTIP, SAYE and BAYE schemes granted in 2020 to 2023, offset by a credit of £3.2m reflecting lapses and adjustments for leavers largely as a result of the significant restructuring across the Group. The prior year included a higher charge of £1.9m, offset by lower lapse and leaver

adjustments.

Amortisation of intangible assets⁵

The amortisation charge for 2023 was £2.3m (2022: £2.8m⁶), being amortisation of intangible software investment and franchise agreements. The year-on-year movement comprises a reduction in both lettings books and certain software intangibles as they have been fully amortised, partly offset by amortisation for the newly established franchise intangibles.

Exceptional items⁷

The exceptional gain of £9.3m (2022: £0.7m) relates primarily to the gain on disposal during the period of the Embrace and First2Protect businesses to Pivotal Growth of £9.0m. Consideration of £9.3m was received on completion of First2Protect, with contingent consideration to be received in 2025 estimated at £2.0m (undiscounted) for Embrace based upon 7x 2024 EBITDA performance. In addition, there was a £0.3m release in relation to the historic exceptional Surveying & Valuation IBNR PI Costs provision (2022: £0.7m).

Exceptional costs of £13.8m (2022: £48.3m), primarily related to restructuring activity and corporate transaction costs of £5.8m, a reduction in contingent consideration assets of £4.1m for businesses sold to Pivotal Growth, reflecting changes to estimates, the net loss on disposals of Group First, RSC and Marsh & Parsons of £1.7m and impairment of Financial Services intangible software assets of £2.2m. Prior year exceptional costs related principally to the outcome of the annual impairment review and prior year restatements, which led to non-cash goodwill and other intangibles impairment of £47.2m⁶.

Contingent consideration payable

There was £0.03m contingent consideration charge recognised in the period (2022: £0.7m), reflecting a small increase in DLPS liability based on revisions to forecasts, subsequently paid in February 2024. The credit to the income statement in 2022 of £0.7m related to the reduction of the contingent consideration liability for RSC and DLPS, based on revisions to profit forecasts.

Finance income increased to £2.8m (2022: £0.1m) resulting mainly from increased interest received on funds held on deposit of £1.5m in 2023 (2022: £0.1m), reflecting proactive management of funds across the Group to optimise in the higher interest rate environment, and the unwind of discounting on contingent consideration receivable balances as the differential in time to payment date reduces, with income of £1.0m (2022: £nil).

Finance costs amounted to £1.7m (2022: £2.1m) and related principally to the unwinding of discount on lease liabilities of £0.5m (2022: £1.0m) which reduced because of the disposal of Marsh & Parsons, commitment and non-utilisation fees on the revolving credit facility of £0.7m (2022: £1.0m) and £0.5m for the unwinding of discount on dilapidations provisions and a fair value adjustment to loans receivable (2022: £nil).

Profit before tax

Profit before tax was £4.9m (2022: loss before tax of £23.8m). The year-on-year movement is primarily due to the materially higher net exceptional cost in the prior period, and lower Group Underlying Operating Profit during 2023.

Taxation

The tax credit of £3.2m (2022: charge of £3.0m) represents an effective tax rate of 65.2% (2022: 12.7%), which is lower than the headline UK tax rate of 23.5% as a result of deferred tax balances written back on the disposal of investments in subsidiary undertakings, and non-taxable gains arising from those disposals. Deferred tax assets and liabilities are measured at 25.0% (2022: 25.0%), the tax rate that came into effect from 1 April 2023.

Discontinued operations¹ loss of £46.1m (net of tax) in relation to the previously owned Estate Agency branch network (2022: loss of £36.5m). The discontinued operations in Estate Agency Franchising contributed an Underlying Operating Loss of £1.0m during the period (2022: profit £6.0m) before incurring exceptional restructuring costs in relation to the conversion of the Estate Agency network to a franchise operation (£16.5m) and associated disposed goodwill (£38.1m), offset in part by the exceptional gain on recognition of intangible franchise agreements of £10.7m.

Earnings per Share⁸

Earnings per Share (pence)	2023				2022			
	Basic	Diluted	Adjusted basic	Adjusted basic diluted	Basic	Diluted	Adjusted basic	Adjusted basic diluted
Continuing	7.9	7.8			(26.0)	(26.0)		
Discontinued	(44.7)	(44.4)			(35.6)	(35.6)		
Total operations			7.6	7.5			27.6	27.2

Balance Sheet

Goodwill⁵

The carrying value of goodwill is £16.9m (31 December 2022: £55.0m⁶). Following the conversion of the entire owned Estate Agency network to franchises during the period, the goodwill associated with Your Move, Reeds Rains and LSLi owned branches (£38.1m) has been disposed and reduced to £nil. Goodwill previously included within held for sale assets of £15.3m was disposed as part of the sales of Marsh & Parsons (£10.6m), Group First (£3.6m) and RSC (£1.1m), which completed in January 2023.

Other intangible assets⁵

Other intangible assets of £21.5m at 31 December 2023 (31 December 2022: £14.7m⁶). New intangible franchise agreements of £10.7m were recognised during the period following the conversion of the entire owned Estate Agency network to franchises. The carrying value of all franchise agreements was £11.7m at 31 December 2023 (31 December 2022: £1.5m⁶). Total amortisation including discontinued operations of £2.7m was charged in the year, with £2.1m of new intangible software investment.

Intangibles disposed during the period as part of the restructuring across the Group came to £1.3m. During the period there has been an impairment to other intangible assets of £2.2m (2022: £0.1m). The charge relates to software assets within the Financial Services Division where there has been a strategic shift to focus development on the Group's PRIMIS Connect platform and a declining number of third party software users. Please refer to note 17 for further information.

The Group has reviewed its Software as a Service (SaaS) arrangements and current policy during 2023 prompted by the significant restructuring during the year. The Group has concluded that the policy to capitalise SaaS customisation costs, which was considered appropriate at the time, should be revised, and has determined that restatement of the prior year financial information is appropriate. The cumulative impact of the historic adjustment on retained earnings on 1 January 2022 was a reduction of £1.8m⁶ and was not cash adjusting.

Property, plant and equipment

Total capital expenditure in the year amounted to £0.7m (2022: £2.0m), primarily reflecting ongoing investment in Financial Services and Surveying & Valuation, and a reduction in Estate Agency Franchising with the operating model transformation during the period.

Financial assets

Financial assets of £5.5m at 31 December 2023 (31 December 2022: £1.0m) comprise contingent consideration assets and investments in equity instruments in unlisted companies.

During the period, the Group disposed of the Group First, RSC and Embrace B2C brokerage businesses to Pivotal Growth, with contingent consideration receivable in the first half of 2025 based upon 7x 2024 EBITDA performance. As at 31 December 2023, this asset is recorded at £4.8m (31 December 2022: £nil).

The fair value of units held in The Openwork Partnership LLP was reassessed at 31 December 2023 as £0.4m (31 December 2022: £0.7m).

In January 2023, the Group agreed to sell its shares in Yopa for £nil consideration, which was in line with its carrying value as at 31 December 2022.

In March 2023, the Group agreed to sell its shares in VEM for £0.2m consideration, received on completion, which was in line with its carrying value as at 31 December 2022.

Investment in joint ventures

In April 2021 the Group established the Pivotal Growth joint venture and holds a 47.8% interest at 31 December 2023. The joint venture is accounted for using the equity method and is held on the balance sheet at £9.4m as at 31 December 2023 (31 December 2022: £5.1m), reflecting the Group's equity investment in Pivotal Growth during the period (£4.7m), less our share of losses after tax for the period.

Investment in sublease

Total current and non-current investment in subleases was £3.3m as at 31 December 2023 (31 December 2022: £nil). This reflects the situation whereby the Group is an intermediate lessor, following the Estate Agency conversion to a wholly franchised model. As part of the franchising transition the leases held by the Group in respect of the previously owned network will be transferred to the franchisees, and the investment in sublease balance will reduce accordingly.

Loans to franchisees and appointed representatives

Loans provided as at 31 December 2023 were £2.1m (31 December 2022: £nil). As part of the initial support provided to the new franchisees of the previously owned Estate Agency branches, working capital loan facility agreements were put in place, of which £0.8m had been drawn down as at 31 December 2023 (31 December 2022: £nil). Loans to appointed representatives, which are granted in certain circumstances to support brokers during an onboarding period, were £1.3m as at 31 December 2023 (31 December 2022: £nil, having previously been included in trade and other receivables).

Financial liabilities

Contingent consideration liabilities

Contingent consideration liabilities at 31 December 2023 were £0.07m (31 December 2022: £2.3m). Contingent consideration liabilities relate solely to the cost of acquiring the remaining shares in Direct Life Quote Holdings Limited, which was subsequently paid in February 2024. The year-on-year reduction reflects the full settlement of the contingent consideration liability of £2.3m in RSC ahead of its disposal in January 2023.

Prior year restatements⁶

Franchising of previously owned branches

During the current period, the Group franchised its entire owned estate agency network (183 branches). In accounting for this significant transaction, the Group re-examined the accounting treatment applied to a much smaller transaction in H1 2019, when 39 owned estate agency branches were franchised. The impact of this was to restate the goodwill associated with these owned branches, de-recognising £5.2m of goodwill, recognising a franchise intangible, net of amortisation, of £1.7m and

an associated deferred tax liability of £0.4m with a cumulative non-cash impact on retained earnings at 1 January 2022 of £4.0m.

Adjustments to assets held for sale

At 31 December 2022 the Group reported Marsh & Parsons as held for sale. Marsh & Parsons was written down to its fair value less cost to sell, which was calculated as the initial consideration received less transaction costs (£28.9m). The Group has re-examined the judgements made and has determined that an adjustment to consideration for debt-like items of £2.0m could have been reliably estimated at 31 December 2022. Rather than recognising this adjustment as an increase in the loss on disposal in 2023, the prior year financial information has been restated, in accordance with IAS 8.

Customisation costs in computing arrangements

During the year, the Group revisited its accounting policy in relation to customisation costs incurred in implementing Software as a Service (SaaS) arrangements. The Group has reviewed its SaaS arrangements and current policy during 2023 prompted by the significant restructuring during the year. The Group has concluded that the policy to capitalise SaaS customisation costs, which was considered appropriate at the time, should be revised, and has determined that restatement of the prior year financial information is appropriate. The cumulative impact of the historic adjustment on retained earnings on 1 January 2022 was a reduction of £1.8m and was not cash adjusting.

Cash offsetting

The Group has a bank offset arrangement that was previously recorded as part of cash and cash equivalents. The Group has reviewed its current arrangements and has concluded that while the Group has a legally enforceable right to offset, the Group did not intend to settle the year-end balance net. As a result, the overdraft balances included within the offset arrangement should be separately presented in the Group Balance Sheet. Consequently, a restatement has been made to increase cash and cash equivalents and bank overdrafts as at 31 December 2022 by £23.1m (2021: £24.4m). The restatement has no impact on net assets, the income statement or the statement of cash flows.

Group Statement of Cash flows

Operating cashflows before movements in working capital were £14.9m (2022: £47.6m) reflecting lower profits generated in 2023. Movements in working capital were an outflow of £11.0m (2022: £14.5m). The outflow in 2023 reflected higher Surveying billing in the last months of 2023 compared to the prior year, and amounts paid on behalf of franchisees ahead of rebilling. We expect working capital outflows to be more modest going forwards as the operating cycle of working capital continues to settle following the completion of significant restructuring and transformation programmes during 2023. The transformation has also resulted in a less capital-intensive business, with capital expenditure expected to be lower than in previous years, reflecting the franchise model in Estate Agency. The business is highly cash generative and ordinarily achieves a cash flow conversion rate⁴ of 75% to 100%. The ratio in 2023 was (2.2)% reflecting the materially lower Underlying Operating Profit, with a ratio of 77% achieved in 2022.

At 31 December 2023, Net Cash⁴ was £35.0m (31 December 2022: Net Cash £40.1m). Movements in the year included £4.7m further investment in Pivotal Growth (2022: £4.0m), capital expenditure of £2.9m (2022: £3.9m), exceptional costs in relation to divisional restructure and transformation programmes of £10.4m, payment of the 2022 final and 2023 interim dividends of £11.7m (2022: £11.8m) and the settlement of contingent consideration in RSC of £2.3m ahead of its disposal to Pivotal Growth. With the loss before tax³ of £40.6m (2022: £58.4m), including discontinued operations, there was no corporation tax paid.

Marsh & Parsons and First2Protect businesses were sold for net consideration received during the period of £26.1m and £9.3m respectively, with contingent consideration for the disposals of Group First, RSC and Embrace receivable in 2025 based upon 7x 2024 EBITDA performance. Total cash balances in the disposed businesses at the point of sale were £8.3m.

Bank facilities/liquidity

In February 2023, we agreed an amendment and restatement of our banking facility, with a £60m committed revolving credit facility, and a maturity date of May 2026, which replaced the previous £90m facility due to mature in May 2024. The terms of the facility, including covenants, have remained materially the same as the previous facility. The facility is provided by the same syndicate members as before, namely Barclays Bank plc, NatWest Bank plc and Santander UK plc.

In arranging the banking facility, the Board took the opportunity to review the Group's borrowing requirements, considering our strong cash position 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 retains a £30m accordion, to be requested by LSL at any time, subject to bank approval.

Under the terms of the facility the Group can operate bank accounts in surplus and overdraft positions provided that the net position under the arrangement is within the facility limits. Overdraft balances included within the bank offset arrangement are presented separately from cash surplus balances in the Group Balance Sheet but are considered to form part of cash and cash equivalents in the group statement of cash flows as they are repayable on demand and form an integral part of the Group's cash management.

The Financial Services Network business has a regulatory capital requirement which represents 2.5% of its regulated revenues. The regulatory capital requirement was £6.1m at 31 December 2023 (31 December 2022: £5.9m), with a surplus of £24.7m (31 December 2022: £24.9m).

Treasury and risk management

LSL has 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 the Annual Report and Accounts 2023.

International Accounting Standards (IAS)

The Financial Statements for the period ended 31 December 2023 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted IAS.

Notes:

- 1 Following the conversion of the entire owned Estate Agency network to franchisees in H1 2023, this was classified as a discontinued operation and is now presented as such in the Financial Statements. Refer to notes 2 and 6 to the Financial Statements
 - 2 Revenue: £138.1m in 2023 with statutory revenue of £144.4m less £6.2m revenue from businesses disposed in 2023, as compared to £154.1m in 2022 with statutory revenue of £217.5m less £63.4m revenue from businesses disposed in 2023
 - 3 Group (and Divisional) Underlying Operating Profit is before exceptional items, contingent consideration assets & liabilities, amortisation of intangible assets and share-based payments. Refer to note 5 to the Financial Statements for reconciliation of Group and Divisional Underlying Operating Profit to statutory operating (loss)/profit for continuing, discontinued and total operations
 - 4 Refer to note 35 to the Financial Statements
 - 5 Refer to note 17 to the Financial Statements
 - 6 Refer to note 36 to the Financial Statements
 - 7 Refer to note 9 to the Financial Statements
 - 8 Refer to note 12 to the Financial Statements
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Group Income Statement

for the year ended 31 December 2023

		2023	Restated*
	Note	£'000	2022 £'000
Continuing operations:			
Revenue	3	144,418	217,472
Operating expenses:			
Employee costs	15	(99,090)	(145,325)
Depreciation on property, plant and equipment and right-of-use assets	18	(3,362)	(7,612)
Other operating costs		(31,046)	(35,502)
Other (losses) / gains	3	(211)	1,334
Share of post-tax (loss) from joint venture	20	(390)	(494)
Share-based payments	15	164	(1,860)
Amortisation of intangible assets	17	(2,258)	(2,787)
Exceptional gains	9	9,320	694
Exceptional costs	9	(13,767)	(48,316)
Contingent consideration payable	25	(31)	696
Group operating profit / (loss)	4	3,747	(21,700)
Finance income	7	2,817	76
Finance cost	8	(1,701)	(2,147)
Net finance income / (cost)		1,116	(2,071)
Profit / (loss) before tax		4,863	(23,771)
Taxation	16	3,170	(3,020)
Profit / (loss) for the period from continuing operations		8,033	(26,791)
Discontinued operations:			
Loss for period from discontinued operations	6	(46,093)	(36,511)
Loss for the period		(38,060)	(63,302)
Attributable to:			
Owners of the parent		(38,001)	(63,209)
Non-controlling interest		(59)	(93)
		(38,060)	(63,302)
Loss per share from total operations (expressed in pence per share):			
Basic	12	(36.9)	(61.6)
Diluted	12	(36.6)	(61.6)
Earnings / (loss) per share from continuing operations (expressed as pence per share):			
Basic	12	7.9	(26.0)
Diluted	12	7.8	(26.0)

*See note 36 for details regarding restatements.

Group Statement of Comprehensive Income**for the year ended 31 December 2023**

		Restated*
	2023	2022
	£'000	£'000
Loss for the year	(38,060)	(63,302)
<i>Items that will not to be reclassified to profit and loss in subsequent periods:</i>		
Revaluation of financial assets not recycled through the income statement	(116)	(5,096)
Tax on revaluation	(1)	130
Total other comprehensive loss for the year, net of tax	(117)	(4,966)
Total comprehensive loss for the year, net of tax	(38,177)	(68,268)
Attributable to:		
Owners of the parent	(38,118)	(68,175)
Non-controlling interest	(59)	(93)

*See note 36 for details regarding restatements.

Group Balance Sheet
as at 31 December 2023

	Note	2023 £'000	Restated* 2022 £'000	Restated* 1 January 2022 £'000
Non-current assets				
Goodwill	17	16,855	54,997	155,654
Other intangible assets	17	21,461	14,698	29,517
Property, plant and equipment and right-of-use assets	18	6,917	15,570	37,070
Financial assets	19	5,407	1,045	5,748
Deferred tax asset	16	166	-	-
Investment in sublease	19	1,756	-	-
Investment in joint venture	20	9,359	5,068	1,610
Contract assets	21	329	431	733
Loans to franchisees and appointed representatives	19	1,655	-	-
Total non-current assets		63,905	91,809	230,332
Current assets				
Trade and other receivables	22	23,206	26,608	33,829
Financial assets	19	54	-	-
Contract assets	21	40	348	424
Investment in sublease	19	1,582	-	-
Current tax assets	16	2,183	3,063	1,142
Loans to franchisees and appointed representatives	19	444	-	-
Cash and cash equivalents	23	58,110	61,215	72,712
		85,619	91,234	108,107
Assets held for sale		-	54,402	-
Total current assets		85,619	145,636	108,107
Total assets		149,524	237,445	338,439
Current liabilities				
Financial liabilities	25	(3,320)	(6,949)	(8,523)
Trade and other payables	24	(30,485)	(47,030)	(64,206)
Provisions for liabilities	26	(5,903)	(660)	(775)
Bank overdrafts	23	(23,139)	(24,460)	(24,248)
		(62,847)	(79,099)	(97,752)
Liabilities held for sale		-	(21,930)	-
Total current liabilities		(62,847)	(101,029)	(97,752)
Non-current liabilities				
Financial liabilities	25	(5,085)	(6,277)	(22,602)
Deferred tax liability	16	-	(2,392)	(2,491)
Provisions for liabilities	26	(5,647)	(1,695)	(3,191)
Total non-current liabilities		(10,732)	(10,364)	(28,284)
Total liabilities		(73,579)	(111,393)	(126,036)
Net assets		75,945	126,052	212,403
Equity				
Share capital	28	210	210	210
Share premium account	29	5,629	5,629	5,629
Share-based payment reserve	29	3,564	5,331	5,263
Shares held by employee benefit trust and share incentive plan	2,29	(2,871)	(5,457)	(3,063)
Treasury shares	29	(3,983)	(3,983)	-
Fair value reserve	29	(385)	(20,239)	(15,273)
Retained earnings		74,087	144,133	219,116
Total equity attributable to owners of the parent		76,251	125,624	211,882
Non-controlling interest		(306)	428	521
Total equity		75,945	126,052	212,403

*See note 36 for details regarding restatements.

Group Statement of Cash Flows
for the year ended 31 December 2023

	Note	2023 £'000	Restated* 2022 £'000
Profit / (loss) before tax from continuing operations		4,863	(23,771)
Loss before tax from discontinued operations		(45,425)	(34,674)
Loss before tax		(40,562)	(58,445)
Adjustments for:			
Exceptional costs		57,650	87,255
Exceptional gains		(9,320)	(694)
Contingent consideration payable		31	(696)
Depreciation of tangible assets	18	4,512	11,629
Amortisation of intangible assets	17	2,660	4,020
Share-based payments	6,15	(109)	1,977
Loss on disposal of property, plant and equipment and right-of-use assets	6	(2)	(8)
Loss from joint venture	20	390	494
Recognition of investments at fair value through the income statement	19	279	(678)
Decrease in contract assets	21	410	378
Finance income	7	(2,817)	(80)
Finance costs	6,8	1,811	2,497
Operating cash flows before movements in working capital		14,933	47,649
Movements in working capital			
Decrease / (increase) in trade and other receivables		909	(1,491)
Decrease in trade and other payables		(13,130)	(12,198)
Increase /(decrease) in provisions		1,203	(799)
		(11,018)	(14,488)
Cash generated from operations		3,915	33,161
Interest paid (leases)	27	(580)	(1,387)
Interest received (leases)	27	140	-
Income taxes paid		-	(6,109)
Exceptional costs paid		(10,391)	(384)
Net cash (expended)/generated from operating activities		(6,916)	25,281
Cash flows used in investing activities			
Interest received		1,599	-
Disposal of businesses, net of cash disposed		26,538	-
Payment of contingent consideration	25	(2,280)	(76)
Investment in joint venture	20	(4,681)	(3,952)
Proceeds from sale of financial assets	19	206	-
Franchisees and appointed representatives loans granted	19	(2,914)	-
Franchisees and appointed representatives loan repayments	19	1,275	-
Receipt of lease income	27	1,134	68
Purchase of property, plant and equipment and intangible assets	17,18	(2,856)	(3,853)
Proceeds from sale of property, plant and equipment	18	-	1,304
Net cash generated/(expended) on investing activities		18,021	(6,509)
Cash flows used in financing activities			
Purchase of LSL shares by the employee benefit trust		-	(5,026)
Repurchase of treasury shares		-	(3,983)
Proceeds from exercise of share options	15	-	825
Payment of lease liabilities	14	(4,529)	(7,170)
Dividends paid	13	(11,714)	(11,773)
Net cash expended in financing activities		(16,243)	(27,127)

Net decrease in cash and cash equivalents		(5,138)	(8,355)
Cash and cash equivalents at the beginning of the year	23	40,109	48,464
Cash and cash equivalents at the end of the year	23	34,971	40,109

Closing cash and cash equivalents includes £nil (2022: £3.4m) presented in assets held for sale on the Group Balance Sheet.

**See note 36 for details regarding restatements.*

**Group Statement of Changes in Equity
for the year ended 31 December 2023**

	Share capital	Share premium account	Share- based payment reserve	Shares held by EBT and SIP	Treasury shares	Fair value reserve	Retained earnings	Equity attributable to owners of the parent	Non- controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2023	210	5,629	5,331	(5,457)	(3,983)	(20,239)	144,133	125,624	428	126,052
Loss for the year	-	-	-	-	-	-	(38,001)	(38,001)	(59)	(38,060)
Revaluation of financial assets	-	-	-	-	-	(116)	-	(116)	-	(116)
Tax on revaluations	-	-	-	-	-	(1)	-	(1)	-	(1)
Total comprehensive loss for the year	-	-	-	-	-	(117)	(38,001)	(38,118)	(59)	(38,177)
Acquisition of non- controlling interests	-	-	-	-	-	-	675	675	(675)	-
Exercise of options	-	-	(1,106)	2,586	-	-	(1,480)	-	-	-
Vested share options lapsed during the year	-	-	(445)	-	-	-	445	-	-	-
Dividend paid	-	-	-	-	-	-	(11,714)	(11,714)	-	(11,714)
Fair value reclassification following disposals	-	-	-	-	-	19,971	(19,971)	-	-	-
Share-based payments	-	-	(109)	-	-	-	-	(109)	-	(109)
Tax on share-based payments	-	-	(107)	-	-	-	-	(107)	-	(107)
At 31 December 2023	210	5,629	3,564	(2,871)	(3,983)	(385)	74,087	76,251	(306)	75,945

During the period, 567,665 share options were exercised relating to LSL's various share option schemes resulting in the shares being sold by the Employee Benefit Trust. LSL received £nil on exercise of these options.

**Group Statement of Changes in Equity
for the year ended 31 December 2022**

	Share capital	Share premium account	Share-based payment reserve	Shares held by EBT and SIP	Treasury shares	Fair value reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2022	210	5,629	5,263	(3,063)	-	(15,273)	224,832	217,598	521	218,119
Prior year restatements (net of tax)*	-	-	-	-	-	-	(5,716)	(5,716)	-	(5,716)
At 1 January 2022 (Restated)	210	5,629	5,263	(3,063)	-	(15,273)	219,116	211,882	521	212,403
Loss for the year (Restated)	-	-	-	-	-	-	(63,209)	(63,209)	(93)	(63,302)
Revaluation of financial assets	-	-	-	-	-	(5,096)	-	(5,096)	-	(5,096)
Tax on revaluations	-	-	-	-	-	130	-	130	-	130
Total comprehensive loss for the year	-	-	-	-	-	(4,966)	(63,209)	(68,175)	(93)	(68,268)
Shares repurchased into treasury	-	-	-	-	(3,983)	-	-	(3,983)	-	(3,983)
Shares repurchased into EBT	-	-	-	(5,026)	-	-	-	(5,026)	-	(5,026)
Exercise of options	-	-	(1,806)	2,632	-	-	(1)	825	-	825
Dividend paid	-	-	-	-	-	-	(11,773)	(11,773)	-	(11,773)
Share-based payments	-	-	1,977	-	-	-	-	1,977	-	1,977
Tax on share-based payments	-	-	(103)	-	-	-	-	(103)	-	(103)
At 31 December 2022	210	5,629	5,331	(5,457)	(3,983)	(20,239)	144,133	125,624	428	126,052

During the year ended 31 December 2022, the Trust acquired 1,351,000 LSL shares. During the period, 890,146 share options were exercised relating to LSL's various share option schemes resulting in the shares being sold by the Employee Benefit Trust. LSL received £0.8m on exercise of these options.

*See note 36 for details regarding restatements.

Notes to the Group Financial Statements

1. General information

The above results and the accompanying notes do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006.

Statutory Financial Statements for this year will be filed following the 2024 AGM and will be available on LSL's website: lspls.co.uk. The auditors have reported on these Financial Statements. Their report was unqualified and did not contain a statement under section 498 (2), (3) or (4) of the Companies Act 2006.

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 2023. The policies have been applied consistently to all years presented. The Group's 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 UK-adopted IAS. The Group Financial Statements have been prepared on a going concern basis under the historical cost convention and on a historical cost basis, except for certain debt and equity financial assets that have been measured at fair value.

In preparing the Financial Statements management has considered the impact of climate change. The Group has assessed climate-related risks, covering both physical risks and transition risks. In the short (0-3 years) to medium term (4-9 years), the impact of climate-related risks on the Group is expected to be relatively low due to the nature of the Group's business model. Over the long term (beyond 10 years), there could be physical risks, such as severe weather, flooding events, increase in temperature and rising sea levels, as well as transition risks such as policy and regulation changes. The risk to the Group's own premises as a result of climate change is considered low, the majority of our property portfolio is leased, and we would not expect significant climate-related costs during the remainder of our current lease terms. The impact of climate change in the medium to long term is likely to be localised and have varying degrees of impact on the areas where we work and our revenue profile. This could have an impact on the carrying value of goodwill and investments.

2.2 Basis of consolidation

The consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31 December 2023. The financial year represents the year from 1 January 2023 to 31 December 2023.

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

The Group's share of the results of joint ventures is included in the Group Income Statement using the equity method of accounting. Investment in joint ventures 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 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 are eliminated to the extent of the interest in the joint venture.

In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

The Financial Statements of the 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 Going concern

The UK Corporate Governance Code requires the Board to assess and report on the prospects of the Group and whether the business is a Going Concern. In considering this requirement, the Directors have taken into account the Group's forecast cash flows, liquidity, borrowing facilities and related covenant requirements and the expected operational activities of the Group.

The Group's objectives, policies, and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk are set out in note 32 alongside details of the Group's borrowing facilities.

The Group expects to continue to meet its day-to-day working capital requirements through cashflows generated by its trading activities and available net cash resources (31 December 2023: £34.9m). The Group's banking facility, a £60 million committed revolving credit facility has a maturity date of May 2026, having been amended and restated in February 2023. As shown in note 25, the Group have not currently utilised the facility leaving £60.0m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The facility agreement contains financial covenants, including a minimum net debt to EBITDA ratio. At the balance sheet date, the Group could have drawn a maximum of c.£33.0m from the facility and remain compliant with covenants. However, under the base case and downside scenarios the full facility would not be available within the going concern period.

LSL has continued to run a variety of scenario models throughout the year to help the ongoing assessment of risks and opportunities. The Group considered both current trading and external reference points in developing a base case forecast and has assumed inflation and interest rates of 5.0% and 5.5% respectively in 2024 (4.0% and 5.0% in 2025). The base case forecast prudently assumes a continuation of current trading throughout the going concern period to 30 June 2025.

A severe downside scenario has been modelled as part of the going concern assessment, which includes the pessimistic assumption that there is a significant reduction in market transaction volumes reducing below the low point experienced during the global financial crisis and in turn reducing Group revenue by over 25%. The scenario modelling includes certain mitigating actions, within the Group's control, however there are further cost mitigations that could be applied in such a severe scenario. Underpinned by LSL's strong balance sheet and diverse business revenue streams, the severe downside financial scenario modelling confirmed that the Group's current liquidity position would enable the Group to operate under this scenario to 30 June 2025 within the terms of its current facilities with no breach of banking covenants and therefore it is appropriate to use the going concern basis of preparation for this financial information.

Having due regard to the scenarios above and after making appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to remain in operation to 30 June 2025. The Board have therefore continued to adopt the Going Concern basis in preparing this Report.

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 performance obligations are fulfilled.

Financial Services

Revenue is earned on mortgage procurement fees and insurance commissions from sales of protection and general insurance policies. Revenue from mortgage procurement fees is recognised by reference to the completion date of the mortgage/remortgage on the housing transaction and revenue from insurance commissions is recognised by reference to the date that the policy goes on risk. The commission refund liability (formerly named lapse provision) associated with insurance commissions is recognised as a reduction in revenue which is calculated with reference to historical refunds which have occurred, commission refund liabilities are recorded within trade and other payables.

The Group acts as both a principal and agent depending on its arrangements with the lenders and broker firms. In scenarios where the Group determines that it has control of the service before it is provided to a client, the Group recognises revenue as the gross amount of consideration expected to be received following satisfaction of the performance obligation. In scenarios where the Group concludes that it does not control the service before it is provided to a client, the Group recognises revenue on a net basis, being gross consideration less any fee or commission due to a counterparty.

Estate Agency

At 1 January 2023, the Group's Estate Agency Division included a network of owned and franchised branches. During the year, the Group has transitioned to a fully franchised business model for its principal estate agent businesses and the revenue from the formerly owned operations has been presented as discontinued, see note 2.25 for further details. The accounting policies for both franchise and residential services and lettings, as well as asset management and conveyancing services, are set out below.

Franchise services:

Revenue represents the value of commissions, charges for services and fixed fees due to the Group under franchise agreements. The Group earns a percentage of all sales and lettings income generated by the franchisees. Revenue in respect of commissions due on house sales is recognised at the point of the relevant property sale, in which the franchisee acts as estate agent, having been exchanged. Revenue in respect of commissions due on lettings, property management and ancillary products is recognised at the point at which the underlying performance obligation has been delivered by the franchisee. Revenue for services provided to the franchisee by the Group is recognised in the period to which the services relate, typically monthly. The franchise agreements include fixed fees for membership of the franchise which are charged per branch on a monthly basis for the term of the franchise agreement and are recognised over time.

Residential services:

Residential sales:

Revenue from the exchange fees generated in the formerly owned residential sales exchange business described above is recognised by reference to the legal exchange date of the housing transaction.

Lettings:

Revenue from lettings in the formerly owned lettings business is recognised monthly once the Group has satisfied its performance obligations, such as the collection of rent.

New build residential sales:

Revenue earned by the Group's new build residential sales business is recognised by reference to the legal exchange date of the housing transaction.

Conveyancing services:

Where the Group provides conveyancing packaging services, the revenue is recognised by reference to the legal exchange date of the housing transaction.

Asset management:

Revenue earned from the repossessions asset management business is recognised by reference to the legal exchange date of the housing transaction.

Surveying & Valuation

Revenue from the supply of surveying and valuation services is recognised upon the completion of the professional survey or valuation by the surveyor, and therefore at a point in time.

Interest income

Revenue is recognised at a point in time as interest accrues (using the effective interest method – that is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

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 Franchising, and therefore considers that it has three operating segments. During the year, the Group made the strategic decision to convert the entire owned estate agency branch network into franchises, in doing so the Estate Agency Franchising operating segment became mainly a provider of franchise services.

Within the Estate Agency Franchising operating segment, the only remaining owned operations relate to the Group's new build residential sales, conveyancing packaging and asset management businesses which are LSL Land & New Homes Ltd, Homefast Property Services Limited, LSL Corporate Client Services Limited and Templeton LPA Limited.

The information presented to the Directors directly reflects the Group Underlying Operating Profit as defined in the alternate performance measures (APM) 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 reporting financial information, the Group presents a number of APMs that are designed to assist with the understanding of underlying Group performance. The Group believes that the presentation of APMs provides stakeholders with additional helpful information on the performance of the business. APMs are also used to help enhance comparability of information between reporting periods. The Group does not consider APMs to be a substitute for or superior to IFRS measures and the Group's APMs are defined, explained and reconciled to the nearest statutory measure in notes 5, 12 and 35.

2.7 Discontinued operations

The Group has classified its previously owned network of estate agency branches as a discontinued operation for the reporting period ending 31 December 2023. The Group operated a network of both owned and franchised branches prior to disposing of its entire owned network. The owned network was determined to be a separate major line of business because it made up the majority of the branch network, its revenue, costs and risk profile was significantly different to that of franchise and its cash flows could be clearly distinguished.

The owned branch network became a discontinued operation on 1 April 2023 when it was classified as held for sale. The Group has presented both the current and comparative income statement and statement of comprehensive income as if the owned network had been discontinued from 1 January 2022.

Discontinued operations are presented in the Group Income Statement as a single line, which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell on disposal of the assets or disposal groups constituting discontinued operations.

2.8 Exceptional items

Exceptional items are those which are material by size and are both non-recurring and unusual in nature. These items are presented within their relevant income statement category but highlighted separately on the face of the income statement. Items that management considers fall into this category are also disclosed within the notes to the Financial Statements (see notes 6 and 9).

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 better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

2.9 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:

- 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 either accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

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

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to offset 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 (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 income statement.

2.10 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 12 to these Financial Statements).

2.11 Business combinations and goodwill

The Group accounts for business combinations using the acquisition method of accounting when control is transferred to the Group. On acquisition, the assets, liabilities, and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the net assets acquired is recognised as goodwill.

Deferred and contingent consideration, resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently measured to fair value at each reporting date. The determination of the fair value for deferred and contingent consideration is based on discounted cash flows and is included within financial liabilities on the balance sheet.

After the initial recognition, goodwill is measured at cost less accumulated impairment losses, for the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash generating units (CGU) that are expected to benefit from the combination. Where goodwill has been allocated to a CGU and part of the operations within that unit are disposed of, the goodwill associated with the disposed operation is included in the carrying amount when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

2.12 Intangible assets

Intangible assets such as brand names, lettings contracts, franchise agreements, 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 the profit or loss in the period in which the expenditure is incurred.

Intangible assets acquired in a business combination are deemed to have a cost to the Group of the asset's fair value at the acquisition date. The fair value of an intangible asset reflects market expectations about the profitability that the future economic benefits embodied in the asset will flow up to the Group.

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 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. 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.

Franchise agreements entered into by the Group (as franchisor) as part of contractual arrangements concerning the disposal of previously owned branches are recognised as intangible assets. Franchise intangible assets are initially recognised at fair value level 3 and subsequently amortised on a straight-line basis over their useful economic lives, being the term of the agreement. The franchise intangible assets are being written off over a remaining life of 15 years as based on the agreements, this is the most likely minimum term. The life of the relationship is assessed annually.

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 contacts, five years for lettings contracts and between three and five years for in-house software.

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 fifty 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 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 Financial instruments

Financial assets and financial liabilities are recognised in the Group's 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 the income statement, 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 the income statement

Gains and losses arising from the changes in the fair value of equity investments are in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and on demand deposits and fixed-term deposits with original maturities of three months or less with the Group's relationship banks. Bank overdrafts which are repayable on demand are included in cash and cash equivalents only when there is a legal right to offset and an intention to settle net, otherwise these amounts are classified separately as liabilities on the balance sheet. For the purposes of the statement of cash flow, bank overdrafts are a component of cash and cash equivalents as they are repayable on demand and form an integral part of the Group's cash management.

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 receivables is reduced through use of an allowance account and impaired debts are derecognised when they are assessed as uncollectable.

Trade payables

Trade payables are stated on the 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 using the effective interest rate method and are recognised on an accruals basis. Borrowing costs are recognised as an expense when incurred.

2.15 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. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell (FVLCTS) and value-in-use (VIU). 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 an asset's VIU, 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 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 CGU's recoverable amount.

2.16 Loans to franchisees and appointed representatives

The Group issues loans to its franchisees and appointed representatives, the Group's objective is to hold these loans to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their issue and are subsequently carried at amortised cost, less provision for impairment.

Loans to appointed representatives are made in the normal course of business and on standard terms, the duration is typically three years and the loans are offered on an interest-free basis. The Group calculates the difference between the par value and fair value on recognition using a market rate of interest and charges this amount to finance costs in the Group Income Statement, the residual loan amount is recorded as a financial asset at amortised cost.

Impairment provisions against loans to franchisees and appointed representatives are recognised based on an expected credit loss model. The methodology used to determine the amount of provision is based on whether there has been a significant increase in credit risk since initial recognition of these financial assets and is calculated by considering the cash shortfalls that would be incurred and probability of these cash shortfalls using the Group's model. Where a significant increase in credit risk is identified, lifetime expected credit losses are recognised; alternatively, if there has not been a significant increase in credit risk, a 12-month expected credit loss is recognised. Such provisions are recorded in a separate allowance account with the loss being recognised within operating expenses in the Group Income Statement. On confirmation that a loan will not be collectable, the gross carrying value of the asset is written off against the associated provision.

2.17 Gain or loss on disposal to a joint venture

In circumstances where a former subsidiary is sold to a joint venture through a downstream transaction, the Group recognises the full gain or loss in the income statement, consistent with IFRS 10. The resultant gain or loss is calculated as consideration received less the net assets of the subsidiary.

2.18 Provisions

A provision is recognised in the 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, where appropriate, the risks specific to the liability.

2.19 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 on 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.

Other leases are leases for low value items 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 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.

In scenarios where the Group is an intermediate lessor, the sublease is classified as a finance lease if substantially all of the risk and rewards incidental to the ownership of the leased asset have transferred to the sublessee, otherwise the sublease is classified as an operating lease. The Group accounts for finance subleases by derecognising the existing right-of-use asset at the effective date of the sublease and recognising a receivable for the Group's net investment in the sublease, with any resultant gain/(loss) recognised in the income statement. The net investment in the leases equals remaining fixed payments, discounted at the interest rate implicit in the lease. After initial recognition, the Group recognises finance income over the remaining lease using the amortised cost method. The net investment in sublease is subsequently reviewed for impairment under IFRS 9 (further details are given in note 27 to these Financial Statements).

Rental income including the effect of lease incentives from sublet properties and vehicles are recognised over time on a straight-line basis, throughout the lease term for operating leases or by recognising in the balance sheet a lease receivable equal to the investment in the lease for finance leases. Subleases are assessed as finance leases or operating leases in reference to the right-of-use asset the lease generates.

2.20 Assets and liabilities held for sale

A disposal group is classified as held for sale where it is available for immediate sale, in its present condition and it is highly probable that its value will be recovered through a sale rather than continuing use. Disposal groups are measured at the lower of carrying value and fair value less costs to sell (FVLCTS) and their assets and liabilities are presented separately from other assets and liabilities on the balance sheet.

2.21 Shares held by employee benefit trust (EBT) and share incentive plan (SIP)

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. 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 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 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 earnings per share (EPS).

2.22 Treasury shares

Where the Group repurchases shares from existing shareholders, they are held as treasury shares and are presented as a deduction from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Treasury shares are ignored for the purposes of calculating the Group's EPS and adjusted EPS.

2.23 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.

2.24 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.

2.25 Critical accounting judgements and estimates

The preparation of the Group's Financial Statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the year. These estimates and judgements are based on Management's best knowledge of the amount, event or actions and actual results ultimately may differ from those estimates. Group Management believe that the estimates and assumptions listed below have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities.

Carrying value of goodwill and intangible assets (estimate)

The Group carries out impairment reviews of intangible assets when there is an indication that the carrying value may not be recoverable and tests the carrying value of goodwill and indefinite life intangibles at least annually, each of the Group's three segments hold goodwill or indefinite life intangible assets and therefore an annual impairment review is required.

The Group disposed of £38.1m of goodwill and £1.5m of intangible assets in the period to 31 December 2023, remaining goodwill of £16.9m includes, Surveying & Valuation (£9.6m), Estate Agency Franchising (£0.3m) and Financial Services (£7.0m). At 31 December 2023, the Group held £21.4m of intangible assets on the balance sheet (2022: £14.7m), of which £6.9m are indefinite life intangible assets relating to brand (2022: £6.9m), the remaining balance of £14.5m is split between franchise intangibles £11.7m (2022: £1.5m) and software £2.8m (2022: £4.7m).

The former Estate Agency impairment review (including the owned and franchise network) had a low level of headroom due to the high value of goodwill in the segment, this made the model particularly sensitive to changes in forecast assumptions and discount rate. The Estate Agency segment disposed of £38.1m of goodwill associated with the owned network, replaced by a franchise asset of £11.7m in the new franchise operation (Estate Agency Franchising), the value of brand has transferred from Estate Agency to Estate Agency Franchising and has remained consistent period on period. Furthermore, of the Group's three divisions, Estate Agency has historically been the most sensitive to changes in assumptions, Surveying & Valuation and Financial Services have always previously had greater levels of headroom and have therefore typically been less sensitive.

The impairment tests are carried out by CGU and reflect the latest Group budgets and forecasts approved by the Board. The budgets and forecasts are based on various assumptions relating to the Group's business including assumptions relating to market outlook, observable trends, and profitability. A pre-tax discount rate has been used to discount the CGU cash flows:

- Financial Services Division – 15.6%
- Surveying & Valuation Division – 15.6%
- Estate Agency Franchising Division – 15.7%

A terminal value is also applied using a long-term growth rate of 2.0%. A sensitivity analysis has been performed allowing for possible changes to the assumptions in the impairment model, see note 17 for details.

Commission refund liability (formerly named lapse provision) (estimate)

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 commission refund liability is recognised as a reduction in revenue which is calculated with reference to historic refunds which have occurred. Details of the assumptions applied to commission refund liability and the impact of changes in average lapse rates are shown in note 24.

Professional Indemnity (PI) claims - valuation (estimate)

A provision is made for professional indemnity claims and potential claims that arise during the normal course of business in relation to valuations performed by the Surveying & Valuation Division. This includes an estimate for the settlement of claims already received as well as claims incurred but not yet reported (IBNR). Details of the assumptions applied to PI claims areas

are disclosed in note 26 to these Financial Statements. A sensitivity analysis which illustrates the impact of different assumptions on the required PI costs provision is also included in note 26.

Contingent consideration receivable (estimate)

Deferred and contingent consideration, resulting from disposals of businesses is valued at fair value at the disposal date. When the contingent consideration meets the definition of a financial asset, it is subsequently measured to fair value at each reporting date. The determination of the fair value for deferred and contingent consideration is based on discounted cash flows and is included within financial assets on the balance sheet. Any changes to fair value are recorded in the operating results of the income statement, with the effects of discounting being recorded in finance income.

The receivables are disclosed in note 19 to these Financial Statements. A sensitivity calculation showing the impact of changes to future performance assumptions is also included in note 19.

Valuation of franchise intangible assets (estimate)

When valuing franchise intangible assets associated with the franchising of previously owned estate agency branches, management estimate the expected future cash flows under the agreement and choose a suitable discount rate to calculate the present value of those cash flows. The budgets and forecasts are based on various assumptions relating to the future performance of franchised branches including assumptions relating to market outlook and observable trends. A sensitivity analysis has been performed allowing for possible changes to assumptions in the valuation of franchise intangible assets, see note 17 for details.

Dilapidation provisions (estimate)

When valuing dilapidation provisions, the Group estimates the potential future liability based on an average dilapidations rate per square foot or a cost estimate provided for each property which has satisfied the Group's recognition criteria. The future liability is then discounted to present value based on the estimated timing of the outflow. A sensitivity analysis has been performed allowing for possible changes to assumptions in the dilapidation provision, see note 26 for details.

Exceptional items (judgement)

The Group presents as exceptional items on the face of the 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.

Classification of discontinued operations (judgement)

The Group disposed of its entire owned estate agency network during the period, judgement was required to determine whether the disposal represented a discontinued operation. The key considerations made by Management in determining whether the disposals of the owned network met the definition of a discontinued operation are noted below:

- The Group ceased to operate all remaining owned estate agency branches and has changed strategic direction in being an operator of franchised estate agencies only.
- The owned estate agencies constitute a component of the Group in that the operations could be clearly distinguished operationally, and for financial reporting purposes, from the rest of the Group.
- The owned estate agency operations constituted a separate major line of business which has been discontinued, prior to transitioning to a fully franchised model the Group's weighting of owned vs franchised branches was 63% / 37%.
- The risk profile of the Estate Agency Division changed significantly on moving to a fully franchised model, the customer base has changed to franchisees only, the new segment's revenue (now includes only commission payments, charges for services and fixed charges), as well as the high fixed cost of operating branches (c£125m) have been reduced substantially.

Management considered the requirements of IFRS 5 in the context of the disposal and concluded that the disposal did meet the definition of a discontinued operation. The Group has retained its new build residential sales, conveyancing services and asset management business, these businesses were previously included in the Estate Agency Division and accounted for less than 20% of the segment's revenue in 2022. The businesses were not part of the disposed owned network and are now included within the Estate Agency Franchising Division.

2.26 New standards and interpretations not applied

The Group is required to comply with the requirements of IFRS 17 Insurance Contracts from 1 January 2023. The new accounting standard sets out requirements that the Group should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. The Group has undertaken an assessment of its insurance contracts, including those held under its captive insurance company, Albany Insurance Company (Guernsey) Limited (Albany) and has concluded

that there is no impact on the Group Financial Statements as Albany does not write insurance contracts outside of the Group, nor does it enter into reinsurance arrangements.

The amendments to IAS 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants which are required to be effective from 1 January 2024 are currently under review. The Group has chosen not to adopt the amended standard early.

3. Disaggregation of revenue

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

Year ended 31 December 2023

	Financial Services £'000	Surveying & Valuation £'000	Residential sales exchange* £'000	Lettings* £'000	Estate Agency Franchising income £,000	Asset management £'000	Other £'000	Total £'000
Timing of revenue recognition								
Services transferred at a point in time	51,692	67,834	4,115	950	13,529	3,907	1,156	143,183
Services transferred over time	-	-	-	170	952	113	-	1,235
Total revenue from contracts with customers	51,692	67,834	4,115	1,120	14,481	4,020	1,156	144,418

* Continuing operations residential and lettings revenues include Marsh & Parsons prior to disposal, and revenue from the Group's new build residential sales and conveyancing services businesses.

During the year 14% (2022: 12%) of the Group's revenue was generated from a single large customer within the Surveying & Valuation division. The revenue recorded within continuing operations in relation to this customer during the year was £19.9m (2022: £26.0m).

Year ended 31 December 2022 (Restated)

	Financial Services £'000	Surveying & Valuation £'000	Residential sales exchange £'000	Lettings £'000	Estate Agency income £,000	Asset management £'000	Other £'000	Total £'000
Timing of revenue recognition								
Services transferred at a point in time	81,681	93,228	15,532	16,876	2,656	2,811	1,201	213,985
Services transferred over time	-	-	-	2,337	-	1,150	-	3,487
Total revenue from contracts with customers	81,681	93,228	15,532	19,213	2,656	3,961	1,201	217,472

	2023 £'000	Restated 2022 £'000
Revenue from services	144,418	217,472
Operating revenue	144,418	217,472
Rental income	-	656
(Loss) / gain on fair value (note 19)	(279)	678
Other gains	68	-
Other operating (loss) / income	(211)	1,334
Total revenue and operating income	144,207	218,806

4. Segment analysis of revenue and operating profit

For the year ended 31 December 2023 LSL has reported three operating segments: Financial Services; Surveying & Valuation; and Estate Agency Franchising. During the year the Group disposed of its entire owned estate agency branch network and in doing so transitioned to an operator of franchised estate agencies only. The Estate Agency segment previously included the Group's owned network, pre-existing franchise network, new build residential sales, conveyancing services and asset management businesses. The Estate Agency segment has been replaced by Estate Agency Franchising which includes the Group's franchise operations, new build residential sales, conveyancing services and asset management businesses. The Group's asset management business will transfer from Estate Agency Franchising to Surveying & Valuation following changes in management responsibilities from 1 January 2024. Management deemed the Group's asset management operations, including the class of customer for its services, are more closely aligned to the Surveying & Valuation division after the Estate Agency Division's transformation into a franchise model. Internally, the Chief Operating Decision Maker has begun monitoring the performance of the asset management businesses as part of the Surveying & Valuation segment from 1 January 2024.

Operating segments

The Management Team monitors the operating results of its segments 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 the Group Financial Statements. Head office costs, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Reportable segments

The following table presents revenue and profit information regarding the Group's reportable segments for the financial year ended 31 December 2023 and financial year ended 31 December 2022 respectively.

Year ended 31 December 2023

Income statement information	Financial Services £'000	Surveying & Valuation £'000	Estate Agency Franchising £'000	Unallocated £'000	Total £'000
Total revenue from external customers from continuing operations	53,284	67,834	24,892	-	146,010
Introducer's fee	(1,592)	-	-	-	(1,592)
Revenue from continuing operations	51,692	67,834	24,892	-	144,418
Revenue from external customers from discontinued operations	-	-	30,750	-	30,750
Introducer's fee	-	-	1,592	-	1,592
Total revenue from continuing and discontinued operations	51,692	67,834	57,234	-	176,760
Segmental result:					
– Group Underlying Operating profit/(loss) from continuing operations	7,022	5,398	5,637	(7,738)	10,319
– Operating profit/(loss)	5,049	2,000	4,364	(7,666)	3,747
Finance income					2,817
Finance costs					(1,701)
Profit before tax					4,863
Loss before tax from discontinued operations					(45,425)
Loss before tax					(40,562)
Taxation					2,502
Loss for the year					(38,060)
Balance sheet information					
Segment assets – intangible	8,893	11,626	17,761	36	38,316
Segment assets – other	23,439	12,063	12,530	63,176	111,208
Total segment assets	32,332	23,689	30,291	63,212	149,524
Total segment liabilities	(14,476)	(13,728)	(19,510)	(25,865)	(73,579)
Net assets	17,856	9,961	10,781	37,347	75,945
Other segment items					
Capital expenditure including intangible assets	(2,065)	(536)	(255)	-	(2,856)
Depreciation	(590)	(1,754)	(1,018)	-	(3,362)
Amortisation of intangible assets	(1,733)	(46)	(443)	(36)	(2,258)
Exceptional gains	8,981	339	-	-	9,320
Exceptional costs	(9,275)	(3,661)	(831)	-	(13,767)
Share of results in joint venture	(390)	-	-	-	(390)
PI Costs provision	(905)	(2,313)	-	-	(3,218)
Dilapidation provision	-	-	(5,691)	-	(5,691)
Restructuring provision	-	-	(2,069)	-	(2,069)

Other provision	-	-	(571)	-	(571)
Onerous leases provision	-	-	(1)	-	(1)
Share-based payment	54	(30)	1	139	164

Unallocated net assets comprise intangible assets and plant and equipment £1.0m, other assets £4.2m, cash £58.0m, accruals and other payables £2.8m, overdraft of £23.1m. Unallocated result comprises costs relating to the Parent Company.

Year ended 31 December 2022 (Restated)

Income statement information	Financial Services	Surveying & Valuation	Estate Agency Franchising	Unallocated	Total
	£'000	£'000	£'000	£'000	£'000
Revenue from external customers from continuing operations	87,437	93,228	42,563	-	223,228
Introducer's fee	(5,756)	-	-	-	(5,756)
Total revenue from continuing operations	81,681	93,228	42,563	-	217,472
Revenue from external customers from discontinued operations	-	-	98,510	-	98,510
Introducer's fee	-	-	5,756	-	5,756
Total revenue from continuing and discontinued operations	81,681	93,228	146,829	-	321,738
Segmental result:					
– Group Underlying Operating profit/(loss)	12,841	20,378	3,949	(7,295)	29,873
– Operating profit/(loss)	(7,179)	20,799	(26,822)	(8,498)	(21,700)
Finance income					76
Finance costs					(2,147)
Loss before tax					(23,771)
Loss before tax from discontinued operations					(34,674)
Loss before tax					(58,445)
Taxation					(4,857)
Loss for the year					(63,302)
Balance sheet information					
Segment assets – intangible	11,750	11,217	46,656	72	69,695
Segment assets – other	24,182	9,236	64,915	69,417	167,750
Total segment assets	35,932	20,453	111,571	69,489	237,445
Total segment liabilities	(20,983)	(14,926)	(46,824)	(28,660)	(111,393)
Net assets	14,949	5,527	64,747	40,829	126,052

Other segment items

Capital expenditure including intangible assets	(1,888)	(736)	(886)	(343)	(3,853)
Depreciation	(810)	(1,755)	(3,742)	(1,305)	(7,612)
Amortisation of intangible assets	(2,546)	(36)	(205)	-	(2,787)
Exceptional gains	-	694	-	-	694
Exceptional costs	(17,458)	-	(30,858)	-	(48,316)
Share of results in joint venture	(494)	-	-	-	(494)
PI Costs provision	-	2,341	-	-	2,341
Onerous leases provision	-	-	14	-	14
Share-based payment	(16)	(237)	(80)	(1,527)	(1,860)

Unallocated net assets comprise intangible assets and plant and equipment £2.0m, other assets £6.3m, cash £61.2m, accruals and other payables £2.2m, current and deferred tax liabilities £2.0m, overdraft of £24.5m. Unallocated result comprises costs relating to the Parent Company.

5. Group and Divisional Underlying Operating Profit

Group and Divisional Underlying Operating Profit are alternative performance measures (APMs) used by the Directors and Group Management to monitor performance of operating segments against budget. It is calculated as profit/(loss) before tax adjusted for the items set out below. The Group's APMs are defined, explained, and reconciled to their closest statutory measures in note 35.

Year ended 31 December 2023

	Financial Services	Surveying & Valuation	Estate Agency Franchising	Unallocated	IFRS reported total from continuing operations	Discontinued operations	Total including discontinued operations
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Profit/(loss) before tax	5,848	2,576	5,117	(8,678)	4,863	(45,425)	(40,562)
Net finance income/(cost)	(799)	(576)	(753)	1,012	(1,116)	110	(1,006)
Operating (loss)/profit per income statement	5,049	2,000	4,364	(7,666)	3,747	(45,315)	(41,568)
Operating Margin	9.8%	2.9%	17.5%	-	2.6%	(140.1%)	(23.5%)
Adjustments:							
Share-based payments	(54)	30	(1)	(139)	(164)	55	(109)
Amortisation of intangible assets	1,733	46	443	36	2,258	402	2,660
Exceptional gains	(8,981)	(339)	-	-	(9,320)	-	(9,320)
Exceptional costs	9,275	3,661	831	-	13,767	43,883	57,650
Contingent consideration payable	-	-	-	31	31	-	31
Underlying Operating Profit/(Loss)	7,022	5,398	5,637	(7,738)	10,319	(975)	9,344
Underlying Operating Margin	13.6%	8.0%	22.6%	-	7.1%	(3.0%)	5.3%

Year ended 31 December 2022 (Restated)

	Financial Services £'000	Surveying & Valuation £'000	Estate Agency £'000	Unallocated £'000	IFRS reported total from continued operations £'000	Discontinued operations £'000	Total including discontinued operations £'000
(Loss)/profit before tax	(7,183)	20,921	(27,731)	(9,778)	(23,771)	(34,674)	(58,445)
Net finance income/(cost)	4	(122)	909	1,280	2,071	346	2,417
Operating (loss)/profit per income statement	(7,179)	20,799	(26,822)	(8,498)	(21,700)	(34,328)	(56,028)
Operating Margin	(8.8%)	22.3%	(63.0%)	-	(10.0%)	(32.9%)	(17.4%)
Adjustments:							
Share-based payments	16	237	80	1,527	1,860	117	1,977
Amortisation of intangible assets	2,546	36	205	-	2,787	1,233	4,020
Exceptional gains	-	(694)	-	-	(694)	-	(694)
Exceptional costs	17,458	-	30,858	-	48,316	38,939	87,255
Contingent consideration	-	-	(372)	(324)	(696)	-	(696)
Underlying Operating Profit/(Loss)	12,841	20,378	3,949	(7,295)	29,873	5,961	35,834
Underlying Operating Margin	15.7%	21.9%	9.3%	-	13.7%	5.7%	11.1%

6. Discontinued operations

On 4 May 2023, the Group announced that its entire owned estate agency network of 183 branches would become franchises. The operations of the previously owned network were franchised to a combination of new and existing franchisees between 4 May and 31 May. The operations of the branches were sold to the franchisees through either asset or share sales.

Following completion of these franchise agreements, LSL became one of the largest providers of estate agency franchise services in the UK, supplying services to a network of just over 300 branches. The Group previously operated both franchised and owned branch business models, and by disposing of all owned branches the Group now no longer operates as a principal in an estate agency business and has changed to solely operating as the franchisor of estate agents.

At 31 December 2023, the owned branch network of estate agencies was classified as a discontinued operation and presented as such within the Financial Statements. The financial performance and cash flow information presented here are for the five months ended 31 May 2023 and year ended 31 December 2022.

Financial performance and cash flow information

	2023 £'000	2022 £'000
Revenue	32,342	104,266
Operating Expenses:		
Employee and subcontractor costs	(20,660)	(61,244)
Depreciation on property, plant and equipment	(1,150)	(4,017)
Other operating costs	(11,509)	(33,052)
Gain on sale of property, plant and equipment	2	8
Share-based payments	(55)	(117)
Amortisation of intangible assets	(402)	(1,233)
Exceptional costs	(9,049)	(38,939)
Group operating (loss)	(10,481)	(34,328)
Finance income	-	4
Finance costs	(110)	(350)
Net finance costs	(110)	(346)
Loss before tax	(10,591)	(34,674)
Taxation charge	(668)	(1,837)
Loss for the year	(11,259)	(36,511)
Loss on sale of discontinued operation	(34,834)	
Attributable tax expense	-	
Loss on sale of discontinued operation	(34,834)	
Loss after tax for the period from discontinued operation	(46,093)	

The net cash flows generated/(incurred) by discontinued operations are, as follows:

	2023 £'000	2022 £'000
Operating	(3,524)	7,087
Investing	(671)	(672)
Financing	(935)	(2,887)
Net cash inflow/(outflow)	(5,130)	3,528

Loss on disposal

Details of the sale of the operations:

	2023 £'000
Consideration received or receivable:	
Cash	144
Franchise intangible	10,707
Directly attributable costs	(3,334)
Total disposal consideration	7,517
Carrying amount of net assets sold	(42,351)
Loss on sale before tax	(34,834)
Tax	-
Loss on sale after tax*	(34,834)

*Loss on sale after tax are wholly attributable to owners of the Parent

The total disposal consideration recognised includes cash of £0.1m, a franchise intangible asset of £10.7m less directly attributable costs of £3.3m. A franchise intangible asset of £10.7m has been calculated using expected future cash flows that will be generated from the franchise agreement, discounted using a post-tax discount rate of 11.8% (the Group's WACC at the date of the agreement). A term of 15 years has been applied to the cash flows, consistent with management's estimate of most likely minimum term per the franchise agreements. Market growth assumptions have been applied to 2024 and 2025, with a long-term growth rate of 2.0% applied thereafter.

The directly attributable costs incurred of £3.3m include legal, advisory and support costs of £1.4m, of which £1.0m relates to a provision for legal expenses associated with the transfer of leases to the franchisees which the Group agreed to pay up to a certain amount per lease as part of the franchise agreement. A further £1.9m relates to committed branch work costs which were also agreed as part of the franchise agreement.

The carrying amount of net assets sold relates mostly to the goodwill associated with Your Move and Reeds Rains (£15.3m), LSLi (£22.5m) and other (£0.3m). The entire balance of goodwill held by Your Move, Reeds Rains, LSLi and other related to the owned branch network, has therefore been disposed of as part of the transition to a fully franchised business model. The loss also included the disposal of other assets with a net book value of £2.2m and lettings contracts of £1.2m relating to asset sales and net assets of £0.6m associated with share sales.

Franchise intangible - sensitivity analysis

The fair value of franchise intangible assets is calculated based on a discounted future cash flow model, the cash flows are based on management's future assumptions of franchise performance and considers market outlook and observable trends. If the discount rate was to be increased by 1%, this would result in a decrease in the assets of £0.6m, similarly if the rate was to decrease by 1%, this would result in an increase in the franchise intangible of the same amount. If the net cash flows from future franchise operations were to decrease by 10% this would result in a reduction in the assets of £1.1m, if they were to increase by 10% this would result in an increase in the value of the same amount. A reasonable change in the long-term growth rate would not result in a material difference to the value of the franchise intangible.

Exceptional costs

	2023	2022
	£'000	£'000
Exceptional costs:		
Estate Agency restructuring costs	9,049	632
Goodwill and intangible asset impairment	-	38,307
	9,049	38,939

Estate Agency restructuring costs

The Group has provided for future dilapidation costs of £4.6m related to previously owned branches, consistent with the recognition criteria per the Group's accounting policy, please refer to note 26 for detail of how the provision has been calculated. The other costs incurred are redundancy and office closure costs totalling £4.1m and project costs of £0.5m offset by a gain of £0.2m recognised on derecognition of the right-of-use for previously owned branches and recognition of investment in sublease.

7. Finance income

	2023	2022
	£'000	£'000
Finance income on subleased assets	140	9
Unwinding of discount on contingent consideration receivable	986	-
Interest from loans to franchisees and appointed representatives	148	-
Bank interest	1,536	-
Other interest receivable	7	67
	2,817	76

8. Finance costs

	2023	2022
	£'000	£'000
Commitment and non-utilisation fees on RCF	728	1,035
Unwinding of discount on lease liabilities	499	1,037
Unwinding of discount on contingent consideration payable	3	75
Unwinding of discount on dilapidations provision	119	-
Fair value adjustment to loans receivable	332	-
Other interest payable	20	-
	1,701	2,147

9. Exceptional items

	2023	Restated 2022
	£'000	£'000
Exceptional costs:		
Goodwill and intangible asset impairment (note 17)	-	47,208
Estate Agency restructuring costs	-	1,108
Surveying & Valuation restructuring costs	3,661	-
Financial Services acquisition costs	2,164	-
Loss on sale of disposal groups	1,697	-
Intangible assets write down	2,152	-
Reduction in deferred consideration receivable	4,093	-
	13,767	48,316
Exceptional gains:		
Exceptional gain in relation to historic PI costs	339	694
Gain on sale of disposal groups	8,981	-
	9,320	694

Exceptional costs

Estate Agency restructuring costs

The costs incurred as a result of estate agency restructuring during 2023 are included within discontinued operations. The costs included in continuing operations in 2022 relate to the closure of branches in Marsh & Parsons.

Surveying & Valuation restructuring costs

The Group initiated a restructuring program in response to the difficult market conditions which followed the UK mini-budget in quarter three 2022. The exceptional costs related to redundancy costs of £3.4m and office closure costs of £0.2m.

Financial Services acquisition costs

Financial Services restructuring costs relate to corporate activity, including costs related to the acquisition of TenetLime Limited of £1.1m (refer to note 34) and aborted deal costs of £1.1m.

Loss on sale of disposal groups

The loss on disposal groups relates to the sale of Marsh & Parsons, Group First and RSC during January 2023.

Group First and RSC:

The Group announced the sale of Group First and RSC on 13 January 2023 to Pivotal Growth for consideration payable of 7x the combined Group First and RSC EBITDA in calendar year 2024, subject to working capital adjustments and payable in H1 2025. Group First and RSC were classified as held for sale at 31 December 2022 and were written down to their fair value less cost to sell (FVLCTS) of £5.3m, calculated as the present value of consideration receivable less costs to dispose. The Group recognised losses on the disposal of Group First and RSC of £0.7m and £0.2m respectively as a result of adverse working capital adjustments during the period 1 January 2023 to 13 January 2023 and an update to expected consideration of £0.3m.

Marsh & Parsons:

The Group announced the sale of Marsh & Parsons on 26 January 2023 to Dexters for an initial consideration of £29.0m, subject to adjustments for working capital and debt-like items. Marsh & Parsons was classified as held for sale at 31 December 2022 and was written down to its fair value less cost to sell (FVLCTS) of £26.9m, calculated as consideration received (£29.0m), less estimated adjustments for debt-like items (£2.0m) and costs to sell (£0.1m). A loss on disposal of £0.8m has been recognised at 31 December 2023 and this is a result of adverse working capital movements during the period 1 January 2023 to 26 January 2023 of £0.3m and an additional adjustment to consideration of £0.3m.

See note 36 for details regarding restatements.

Intangible assets write down

During the period there has been an impairment to other intangible assets of £2.2m (2022: £0.1m). The charge relates to software assets within the Financial Services Division where there has been a strategic shift to focus development on the Group's PRIMIS Connect platform and a declining number of third party software users. Please refer to note 17 for further information.

Reduction in deferred consideration receivable

The reduction in deferred consideration receivable relates to contingent consideration assets recognised on the disposal of Group First, RSC and EFS. The charge included in exceptionals is the result of a downward revision of future forecasts at the reporting date in comparison to original recognition, combined with changes in discount rate. The Group has included movements in the deferred consideration for these disposals in exceptional, because the original gain/loss on disposal was taken to exceptional. The Group recognises finance income on the unwinding of the receivables in finance income in the income statement.

Exceptional gains

Gain on sale of disposal groups

On 11 April 2023, the Group announced the disposal of two further subsidiaries, Embrace Financial Services (EFS) and First2Protect (F2P) to Pivotal Growth. The consideration payable for EFS will be 7x the EBITDA in calendar year 2024, subject to working capital adjustments and payable in H1 2025. The consideration for F2P was £9.3m. The Group recognised a gain on disposal of EFS and F2P of £1.6m and £7.4m respectively. This EFS gain has been calculated as contingent consideration of £2.4m less disposal costs of £0.5m and net assets disposed of £0.2m. The gain recognised on F2P has been calculated as consideration received of £9.3m, less transaction costs of £0.1m and net assets disposed of £1.9m.

Summary of gain/loss on disposal groups

	Group First	RSC	Marsh & Parsons	EFS	F2P	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Goodwill	3,638	1,064	10,557	-	-	15,259
Other intangible assets	396	43	12,067	-	-	12,506
Property, plant and equipment and right-of-use assets	294	74	15,704	56	301	16,429
Trade and other receivables	230	220	6,333	462	892	8,137
Bank balances and cash	1,438	986	1,493	2,652	1,733	8,302
Deferred tax asset/(liability)	15	14	47	-	(3)	73
Current tax asset/(liability)	(379)	(197)	94	171	(329)	(640)
Trade and other payables	(847)	(663)	(4,928)	(3,115)	(417)	(9,970)
Financial liabilities	-	(74)	(14,668)	-	(275)	(15,017)
Net assets disposed of	4,785	1,467	26,699	226	1,902	35,079
Consideration						
Cash and cash equivalents	-	-	26,100	-	9,289	35,389
Contingent consideration	4,152	1,382	-	2,352	-	7,886
Disposal costs	(75)	(75)	(230)	(501)	(31)	(912)
Total consideration (less transaction costs)	4,077	1,307	25,870	1,851	9,258	42,363
Gain/(loss) on disposal	(708)	(160)	(829)	1,625	7,356	7,284
Net cash inflow arising on disposal						
Consideration received in cash and cash equivalents	-	-	26,100	-	9,289	35,389
Less: cash and cash equivalents disposed	(1,438)	(986)	(1,493)	(2,652)	(1,733)	(8,302)
Less: disposal costs paid	(75)	(75)	(230)	(501)	(31)	(912)
Cash inflow/(outflow)	(1,513)	(1,061)	24,377	(3,153)	7,525	26,175

10. Loss before tax

Loss before tax is stated after charging:

	2023	2022
	£'000	£'000
Auditor's remuneration (note 11)	1,533	1,001
Short-term leases	1,960	1,997
Low value leases	334	649
Depreciation – owned assets	1,482	3,853
Depreciation – right-of-use assets	1,880	3,759
Gains / (losses) on disposal of property, plant and equipment and right-of-use assets	-	-

11. Auditor's remuneration

The remuneration of the auditors is further analysed as follows:

	2023 £'000	2022 £'000
Audit of the Financial Statements	490	333
Audit of subsidiaries	588	543
Total audit	1,078	876
Audit-related assurance services (including interim results review)	455	125
	1,533	1,001

12. Earnings per Share (EPS)

Basic EPS amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent 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 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.

As the Group reported a profit from continuing operations in 2023 (2022: loss), the effect of dilutive share options has been included in the calculation of diluted earnings per share for continuing operations, discontinued operations and the overall result.

However, for the calculation in 2022, as the Group reported a loss from continuing operations, any potential ordinary shares are antidilutive and are therefore excluded from the calculation of diluted earnings per share for continuing operations, discontinued operations and the overall result:

Total EPS:

	2023			2022		
	Loss after tax £'000	Weighted average number of shares	Per share amount pence	Restated loss after tax £'000	Weighted average number of shares	Restated per share amount pence
Basic EPS	(38,001)	103,066,026	(36.9)	(63,209)	102,659,027	(61.6)
Effect of dilutive share options	-	817,786	-	-	-	-
Diluted EPS	(38,001)	103,883,812	(36.6)	(63,209)	102,659,027	(61.6)

Total EPS from continuing operations:

	2023			2022		
	Profit after tax £'000	Weighted average number of shares	Per share amount pence	Restated loss after tax £'000	Weighted average number of shares	Restated per share amount pence
Basic EPS	8,092	103,066,026	7.9	(26,698)	102,659,027	(26.0)
Effect of dilutive share options	-	817,786	-	-	-	-
Diluted EPS	8,092	103,883,812	7.8	(26,698)	102,659,027	(26.0)

Total EPS from discontinued operations:

	2023			2022		
	Loss after tax £'000	Weighted average number of shares	Per share amount pence	Restated loss after tax £'000	Weighted average number of shares	Restated per share amount pence
Basic EPS	(46,093)	103,066,026	(44.7)	(36,511)	102,659,027	(35.6)
Effect of dilutive share options	-	817,786	-	-	-	-
Diluted EPS	(46,093)	103,883,812	(44.4)	(36,511)	102,659,027	(35.6)

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.

Adjusted basic and diluted EPS

The Directors (who were members of the Board at 31 December 2023) consider that the adjusted earnings shown below give a consistent indication of the Group's underlying performance:

	2023	Restated 2022
	£'000	£'000
Group Underlying Operating Profit	9,344	35,834
Loss attributable to non-controlling interest	59	93
Finance income/(costs) (excluding exceptional and contingent consideration items, fair value adjustment to loans receivables and discounting on lease liabilities)	795	(968)
Normalised taxation (tax rate 23.5%, 2022:19.0%)*	(2,396)	(6,642)
Adjusted profit after tax attributable to owners of the parent	7,802	28,317

*The headline UK rate of corporation tax for the period is 23.5% (2022: 19.0%).

Adjusted basic and diluted EPS

	2023			2022		
	Profit after tax £'000	Weighted average number of shares	Per share amount pence	Restated profit after tax £'000	Weighted average number of shares	Restated per share amount pence
Adjusted basic EPS	7,802	103,066,026	7.6	28,317	102,659,027	27.6
Effect of dilutive share options	-	817,786	-	-	1,275,216	-
Adjusted diluted EPS	7,802	103,883,812	7.5	28,317	103,934,243	27.2

This represents adjusted profit after tax attributable to equity holders of the parent. Tax has been adjusted to exclude the prior year tax adjustments, and the tax impact of exceptional items, amortisation, and share-based payments. The effective tax rate used is 23.5% (31 December 2022: 19.0%).

13. Dividends paid and proposed

	2023	2022
	£'000	£'000
Declared and paid during the year:		
2023 Interim: 4.0 pence per share (2022 Interim: 4.0 pence)	4,098	4,084
Dividends on shares proposed (not recognised as a liability as at 31 December):		
Equity dividends on shares:		
Dividend: 7.4 pence per share (2022: 7.4 pence)	7,714	7,616

14. Cash flow from financing activities

Set out below are the movements in the Group's lease liabilities and long-term debt during the year.

	At 1 January				Reclassified as held for sale	At 31 December
	2023	Cash flow	Additions	Disposals	sale	2023
	£'000	£'000	£'000	£'000	£'000	£'000
Lease liabilities	10,915	(4,529)	4,350	(2,396)	-	8,340
	10,915	(4,529)	4,350	(2,396)	-	8,340

	At 1 January				Reclassified as held for sale	At 31 December
	2022	Cash flow	Additions	Disposals	sale	2022
	£'000	£'000	£'000	£'000	£'000	£'000
Lease liabilities	28,117	(7,170)	5,550	(875)	(14,707)	10,915
	28,117	(7,170)	5,550	(875)	(14,707)	10,915

	2023	2022
	£'000	£'000
Non-current liabilities	5,085	6,246
Current liabilities	3,255	4,669
	8,340	10,915

Lease liability movements comprise new leases entered into during the year, cancellation of leases and movements between current and non-current liabilities, this also includes interest paid during the year of £0.6m (2022: £1.4m). The Group holds no other long-term debt at 31 December 2023.

15. Directors and employees

Remuneration of Directors

	2023	2022
	£'000	£'000
Directors' remuneration (short-term benefits)*	1,367	1,563
Contributions to money purchase pensions schemes (post-employment benefits)	2	2
	1,369	1,565
Aggregate gains on exercise of share based payment awards	479	1,226

Note:

* Directors' remuneration (short term benefits) excludes the value of share awards (including the value of matching shares, dividend shares and free share awards) that vested in the year amounting to £0.2m (2022: £0.4m). Included within this amount are accrued bonuses of £nil (2022: £nil).

The number of Directors who were members of Group money purchase pension schemes during the year totalled 2 (2022: 2).

Remuneration of Key Management Personnel

	2023	2022
	£'000	£'000
Key management personnel remuneration (short-term benefits) ¹	2,641	5,402
Contributions to money purchase pensions schemes (post-employment benefits)	63	48
Termination benefits	142	-
Share-based payments charge on current incentive schemes	377	1,253
	3,223	6,703

Note:

¹ Included within this amount are accrued bonuses of £0.1m (2022:£1.5m).

Remuneration of Key Management Personnel represents the charge to the income statement in respect of the remuneration of the Group Board and Group Executive Committee members.

Employee numbers and costs

The Group employs staff in divisional offices and head office. Aggregate payroll costs of these employees, including Directors were:

	2023	2022
	£'000	£'000
Wages and salaries	83,401	122,187
Social security costs	10,862	16,229
Pension costs	4,536	6,002
Subcontractor costs	291	907
Total employee costs	99,090	145,325
Share-based payment (credit)/expense (see below)	(164)	1,860

The average monthly FTE staff numbers (including Directors) during the year were:

	2023	2022
Financial Services	490	953
Surveying & Valuation	879	931
Estate Agency Franchising	1,006	2,062
	2,375	3,946

During the year the Group announced that its entire owned estate agency network of 183 branches would become franchises. The operations of the previously owned network were franchised to a combination of new and existing franchisees between 4 May and 31 May. As a result, only 15% of the estate agency staff remained employees of LSL, 85% of staff were transferred to the franchisees. The average monthly FTE staff number disclosed in 2022 includes staff which were in the Group's old estate agency model.

Share-based payments

The Group operates the following equity-settled share-based remuneration schemes:

Long-term incentive plan (LTIP)

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.

Vesting conditions:

For all LTIP options granted between 2020 and 2023, 50% of the options vest based on the total shareholder return (TSR) of LSL as compared to a comparator group of FTSE Small Cap, excluding investment trusts, over the three-year performance period (for LTIP 2023 this is 1 January 2023 to 31 December 2025):

- 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.

The remaining 50% of the options are based on LSL's Adjusted Basic EPS performance in the financial year which they become exercisable:

		LTIP 2023	LTIP 2022	LTIP 2021	LTIP 2020
		EPS (pence)	EPS (pence)	EPS (pence)	EPS (pence)
100% vest	(more than or equal to)	24.0	52.8	31.5	31.5
25% vest	(equal to)	16.0	46.9	25.6	25.6
Straight-line vesting	(between)	16.0 – 24.0	46.9 – 52.8	25.6 – 31.5	25.6 – 31.5
No options vest	(less than)	16.0	46.9	25.6	25.6

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.

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.

BAYE (buy-as-you-earn) scheme

The matching shares element of the SIP (share incentive plan)/SAYE 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 Employee Benefit 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).

All employee share award

The Group launched its second free share award under its SIP Plan in 2022. The award was £500 per full-time employee and a pro-rated award for all part-time employees. This award offer was made to LSL employees who had joined the Group on or before 28 February 2022 and remain employed and not serving notice at the date the shares are awarded in April 2022. The awards will normally become available for employees once they have been held in the SIP for three years or more.

The Group's first free share scheme awarded £500 per full-time employee and a pro-rated award for all part-time employees who had joined the Group 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 plan for three years or more.

Movements during the year

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year:

	2023		2022	
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at 1 January	0.71	4,808,256	0.98	4,994,221
Granted during the year	0.98	1,639,999	-	1,303,850
Exercised during the year*	0.00	(567,665)	0.93	(890,146)
Lapsed during the year	0.81	(1,815,311)	1.09	(599,669)
Outstanding at 31 December	0.87	4,065,279	0.71	4,808,256

**The weighted average share price at the date of exercise of these options was £2.35 in 2023 (2022: £3.53).*

- There were no cancellations or modifications to the awards in 2023 or 2022.
- The weighted average remaining contractual life for the share options outstanding as at 31 December 2023 was 1.46 years (2022: 1.07 years).
- The weighted average fair value of options granted during the year was £1.76 (2022: £3.43).
- The range of exercise prices for options outstanding at the end of the year was £nil to £3.64 (2022: £1.22 to £3.64).
- 719,230 share options were exercisable as at 31 December 2023.

The following tables list the inputs to the models used for the new plans for the years ended 31 December 2023 and 2022, respectively:

	LTIP 2023	SAYE 2023	LTIP 2022	Share award 2022
Option pricing model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes
Weighted average share price at grant date (£)	2.44	2.50	3.67	3.93
Exercise price (£)	-	1.99	-	-
Expected life of options (years)	3	3	3	3
Expected volatility (%)	100	100	100	100
Expected dividend yield (%)	3.96	6.03	3.77	3.77
Risk free interest rate (%)	3.99	3.83	1.93	1.93

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.

The total cost recognised for equity-settled transactions is as follows:

	2023 £'000	2022 £'000
Share-based payment (credit)/expense during the year	(164)	1,860

A credit of £0.1m (2022: charge of £1.5m) relates to employees of the Company.

16. Taxation

(a) Taxation charge

The major components of income tax charge in the Group Income Statement are:

	2023 £'000	Restated 2022 £'000
UK corporation tax – current year	-	5,783
– adjustment in respect of prior years	153	(824)
	153	4,959
<u>Deferred tax:</u>		
Origination and reversal of temporary differences	246	(202)
Rate differential	16	(64)
Adjustment in respect of prior year	(416)	164
Deferred tax balances written back on disposal of subsidiaries	(2,501)	-
Total deferred tax (credit)	(2,655)	(102)
Total tax (credit) / charge in the income statement	(2,502)	4,857

Continuing and discontinued operations:

	2023 £'000	Restated 2022 £'000
Total tax (credit)/charge from continuing operations	(3,170)	3,020
Total tax charge from discontinued operations	668	1,837
	(2,502)	4,857

Corporation tax is recognised at the headline UK corporation tax rate of 23.5% (2022: 19%).

The opening and closing deferred tax balances in the Financial Statements were measured at 25%. This is in accordance with rates included in the Finance Act 2021 which was enacted on 10 June 2021 and came into effect from 1 April 2023.

The effective rate of tax for the year was 6.2% (2022: (8.3%)). The effective tax rate for 2023 is lower than the headline UK tax rate of 23.5% largely as a result of two items. Firstly, the inclusion of a loss on disposal following the Group's adoption of a franchise model within the loss before tax which is not deductible for corporation tax purposes and net gains arising from the disposal of investments in subsidiary undertakings during the year, which similarly, are non-taxable for corporation tax purposes. The second being the impact of writing back the deferred tax balances held at Group in relation to the subsidiary undertakings disposed of.

Deferred tax credited directly to other comprehensive income is rounded to £nil (2022: £0.1m). Income tax debited directly to the share-based payment reserve is £0.1m (2022: £0.1m).

(b) Factors affecting tax charge for the year

The tax assessed in the profit and loss account is higher than (2022: higher than) the standard UK corporation tax (CT) rate, because of the following factors:

	2023	Restated 2022
	£'000	£'000
Profit / (loss) before tax from continuing operations	4,863	(23,771)
(Loss) / profit before tax from discontinued operations	(45,425)	(34,674)
Loss before tax	(40,562)	(58,445)
Tax calculated at UK standard CT rate of 23.5% (2022: 19%)	(9,532)	(11,105)
Non-deductible expenditure from joint venture	91	94
Other disallowable expenses	9,934	16,525
Net non-taxable gains on disposal of investments	(834)	-
Impact of movement in contingent consideration credited to the income statement	817	(118)
Share-based payment relief	(229)	78
Brought forward losses not previously recognised	(1)	(50)
Current year losses not recognised	-	157
Impact of rate change on deferred tax	16	(64)
Prior period adjustments – current tax	153	(824)
Prior period adjustment – deferred tax	(416)	164
Deferred tax balances written back on disposal of subsidiary undertakings	(2,501)	-
Total taxation (credit)/charge	(2,502)	4,857
Total tax (credit)/charge from continuing operations	(3,170)	3,020
Total tax charge from discontinued operations	668	1,837
Total taxation (credit)/charge	(2,502)	4,857

Other disallowable expenses of £9.9m (2022: £18.4m) includes the tax impact of exceptional costs of £9.7m (2022: £16.6m), which are not taxable / deductible for tax purposes. This item also includes other smaller permanent items which are not eligible for tax relief.

The impact of the net non-taxable gains on disposal of investments during the year relate to the disposal of the Group's interests in its subsidiary undertakings of Marsh & Parsons, the Group's D2C broker businesses (Group First, RSC, EFS and F2P) those subsidiary undertakings impacted by the Group's adoption of a franchise model (see note 6). A net deferred tax liability of £2.5m was held in relation to those entities disposed of and the balances have been written back to the income statement as a credit.

There is a debit to the income statement of £0.2m in relation to a corporation tax prior year adjustment. This balance refines the estimate previously reported and its main contributing components are prior year losses not surrendered for group relief and carried forward (£0.1m) and a reduction in available capital allowances (£0.1m).

There is a credit to the income statement in relation to a deferred tax prior year adjustment of £0.4m. This predominately relates to losses available to carry forward in relation to the Group's D2C broker businesses. These balances have been subsequently disposed of during the financial year as a debit to the income statement.

(c) Factors that may affect future tax charges (unrecognised)

	2023	2022
	£'000	£'000
Unrecognised deferred tax asset relating to:		
Losses	3,020	3,018
	3,020	3,018

No deferred tax asset is recognised in respect of trading losses of £9.5m (2022: £9.3m). Of this balance, £1.6m relates to the impact of the prior year restatement (refer to note 36 for further information). The balance has not been recognised as the formal process for claiming a deduction for these losses has not yet been finalised. The remaining losses 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. No deferred tax asset is recognised in respect of capital losses of £2.6m (2022: £2.7m) as there are no capital profits forecast against which these losses can be utilised. There is no time limit for utilisation of the above tax losses.

(d) Deferred tax

An analysis of the balance sheet movements in deferred tax is as follows:

	2023	Restated 2022
	£'000	£'000
Net deferred tax liability at 1 January	2,392	2,491
Research and development tax credits	(14)	-
Deferred tax liability recognised directly in other comprehensive income	108	(28)
Deferred tax (credit) in income statement for the year from continuing operations	(5,898)	(152)
Deferred tax charge in income statement for the year from discontinued operations	3,246	50
Reclassified as held for sale	-	31
Net deferred tax (asset) / liability at 31 December	(166)	2,392

Net deferred tax (asset) / liability analysed as:

	2023	Restated 2022
	£'000	£'000
Accelerated capital allowances	(1,583)	(1,318)
Deferred tax liability on separately identifiable intangible assets on business combinations	5,200	5,198
Deferred tax on financial assets	93	13
Deferred tax on share options	(487)	(713)
Other short-term temporary differences	(166)	(319)
Trading losses recognised	(3,223)	(500)
Reclassified as held for sale	-	31
	(166)	2,392

During the year, the Group adopted a full franchised model Estate Agency. An intangible asset of £10.7m has been recognised in relation to the franchise agreements signed. This has resulted in a deferred tax liability of £2.7m being recognised in the year.

In addition, the reported results for 2022 have been restated to recognise an intangible asset of £1.5m in relation to owned branches which were franchised in 2019. This resulted in a deferred tax liability of £0.4m being recognised. Refer to note 36 for further information.

At 31 December 2023, the Group has unused trading tax losses of £12.9m available for offset against future profits. See note 16c for commentary on those balances for which no deferred tax asset is recognised.

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.

Deferred tax credit in income statement relates to the following:

	2023	Restated 2022
	£'000	£'000
Intangible assets recognised on business combinations	(2)	513
Accelerated capital allowance	267	(260)
Deferred tax on share options	(119)	(179)
Other temporary differences	(213)	7
Trading losses recognised	2,722	21
Total deferred tax credited in income statement	2,655	102
	2023	Restated 2022
	£'000	£'000
Deferred tax (credit) in income statement for the year from continuing operations	5,901	152
Deferred tax charge in income statement for the year from discontinued operations	(3,246)	(50)
Total deferred tax credited in income statement	2,655	102

The income statement credit of £2.6m includes a credit of £2.5m relating to the deferred tax balances written back on disposal of subsidiaries. The £2.5m disposal credit comprises of a £0.2m credit on accelerated capital allowances, a £2.9m credit on intangible assets recognised on business combinations, a £0.5m debit on trading losses recognised and a £0.1m debit on other temporary differences. The remaining £0.1m credit to the income statement comprises of a net rounded £nil credit on accelerated capital allowances, a £2.9m debit on intangible assets recognised on business combinations, a £3.2m credit (which is inclusive of the calculated prior year adjustment of £0.4m – see note 16a) on trading losses recognised and a £0.2m debit on other temporary differences.

17. Intangible assets

Goodwill and brand

	Goodwill £'000	Brand £'000	Total £'000
Cost			
At 1 January 2022 (as previously reported)	160,865	19,074	179,939
Restatement (note 36)	(5,211)	-	(5,211)
At 1 January 2022 (Restated)	155,654	19,074	174,728
Impairment (Restated, note 36)	(83,363)	-	(83,363)
Reclassified as held for sale	(17,294)	(12,163)	(29,457)
At 31 December 2022 (Restated)	54,997	6,911	61,908
Disposed	(38,142)	-	(38,142)
At 31 December 2023	16,855	6,911	23,766
Net book value			
At 31 December 2023	16,855	6,911	23,766
At 31 December 2022 (Restated)	54,997	6,911	61,908

The carrying amount of goodwill and brand by CGU is summarised below:

	Goodwill 2023 £'000	Brand 2023 £'000	Restated goodwill 2022 £'000	Brand 2022 £'000
Financial Services segment companies				
First Complete	3,998	-	3,998	-
Advance Mortgage Funding	2,604	180	2,604	180
Personal Touch Financial Services	348	-	348	-
	6,950	180	6,950	180
Surveying & Valuation segment company				
e.surv	9,569	1,305	9,569	1,305
Estate Agency Franchising segment companies				
Your Move and Reeds Rains*	-	3,751	15,282	3,751
LSLi*	-	1,675	22,512	1,675
Templeton LPA	336	-	336	-
Others	-	-	348	-
	336	5,426	38,478	5,426
Total	16,855	6,911	54,997	6,911

*Goodwill balances associated with Your Move, Reeds Rains and LSLi were disposed of in the year due to the Group's transition to a franchise model. Refer to note 6 for further detail.

Impairment of goodwill and other intangibles with indefinite useful lives

The Group tests goodwill and the indefinite life intangible assets annually for impairment, or more frequently if there are indicators of impairment. Goodwill and brands acquired through business combinations have been allocated for impairment testing purposes to statutory companies or groups of statutory companies which are managed as individual CGUs as follows:

- Financial Services companies
 - First Complete
 - Advance Mortgage Funding
 - Personal Touch Financial Services
 - Direct Life and Pension Services

- Surveying & Valuation company
 - e.surv

- Estate Agency companies
 - Your Move and Reeds Rains (including its share of cash flows from LSL Corporate Client Department)
 - LSLi
 - Templeton LPA
 - St Trinity

Recoverable amount of CGUs

The recoverable amount of the Financial Services, Surveying & Valuation and Estate Agency Franchising companies has been determined based on a value-in-use (VIU) calculation using cash flow projections based on financial budgets and forecasts approved by the Board and in the three-year plan.

During the year, the Group disposed of £15.3m of goodwill and £12.2m of brand associated with businesses disposed during H1 which were previously held for sale. The Group disposed of a further £38.1m of goodwill when the Estate Agency Division transferred to a fully franchised model.

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

The pre-tax discount rate applied to cash flow projections used in the VIU models is as follows:

	2023*	2022
Financial Services	15.6%	14.2%
Surveying & Valuation	15.6%	14.2%
Estate Agency Franchising	15.7%	14.2%

**Note: the Group's approach has been updated in the current year to apply CGU specific discount rates.*

Cash flows beyond the three-year plan are extrapolated using a 2.0% growth rate (2022: 2.0%).

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.

Sensitivity to changes in assumptions

Sensitivity analysis has been performed to assess whether changes to key assumptions would lead to impairments across the Group. Management deemed that there are no reasonably possible changes in key assumptions that would cause any of the Group's CGUs carrying amounts to exceed its recoverable amounts.

Other intangible assets

	Customer contracts £'000	Lettings contracts £'000	Franchise agreements £'000	Software £'000	Total £'000
Cost					
At 1 January 2022 (as previously reported)	625	21,770	-	22,558	44,953
Restated (note 36)	-	-	2,059	(2,057)	2
At 1 January 2022 (Restated)	625	21,770	2,059	20,501	44,955
Additions (Restated)	-	-	-	1,827	1,827
Reclassified as held for sale	-	-	-	(1,128)	(1,128)
At 31 December 2022 (Restated)	625	21,770	2,059	21,200	45,654
Additions	-	-	10,707	2,137	12,844
Disposals	-	(21,770)	-	-	(21,770)
Impairment	-	-	-	(3,940)	(3,940)
At 31 December 2023	625	-	12,766	19,397	32,788
Amortisation and impairment					
At 1 January 2022 (as previously reported)	286	19,037	-	15,100	34,423
Restated (note 36)	-	-	389	(300)	89
At 1 January 2022 (Restated)	286	19,037	389	14,800	34,512
Amortisation (Restated)	313	1,163	137	2,407	4,020
Other intangible impairment	-	-	-	117	117
Reclassified as held for sale	-	-	-	(782)	(782)
At 1 January 2023 (Restated)	599	20,200	526	16,542	37,867
Amortisation	26	291	494	1,849	2,660
Disposals	-	(20,491)	-	(10)	(20,501)
Impairment	-	-	-	(1,788)	(1,788)
At 31 December 2023	625	-	1,020	16,593	18,238
Net book value					
At 31 December 2023	-	-	11,746	2,804	14,550
At 31 December 2022 (previously reported)	26	1,570	-	7,240	8,836
At 31 December 2022 (Restated)	26	1,570	1,533	4,658	7,787

At 31 December 2023, the Group performed an impairment indicator assessment of its other intangible assets and identified an impairment trigger in the Financial Services Division relating to the Group's Mortgage Gym software platform. The trigger was the result of a strategic shift by the Group to focus development on the Group's PRIMIS Connect platform and a declining number of paid users of Mortgage Gym. The Group determined that the total net book value of Mortgage Gym (£2.2m) should be written down to £nil at the period end as the remaining future cash flows associated with the platform show a net loss and it is expected that all users will cease to use the platform during 2024.

18. Property, plant and equipment and right-of-use assets

	Land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost					
At 1 January 2022	41,207	9,611	9,003	18,741	78,562
Additions	3,069	242	2,075	1,785	7,171
Disposals	(3,743)	(660)	(1,908)	(1,082)	(7,393)
Transferred to asset held for sale	(18,619)	(7,747)	(1,726)	(3,524)	(31,616)
At 31 December 2022	21,914	1,446	7,444	15,920	46,724
Additions	1,614	100	2,710	620	5,044
Disposals	(4,861)	(580)	(2,190)	(5,758)	(13,389)
Transfer to investment in sublease	(9,649)	-	(738)	-	(10,387)
At 31 December 2023	9,018	966	7,226	10,782	27,992
Depreciation and impairment					
At 1 January 2022	17,879	5,981	5,440	12,192	41,492
Charge for the year	5,831	860	1,969	2,969	11,629
Disposals	(2,553)	(499)	(1,849)	(1,079)	(5,980)
Transferred to asset held for sale	(6,300)	(5,248)	(1,087)	(3,352)	(15,987)
At 31 December 2022	14,857	1,094	4,473	10,730	31,154
Charge for the year	1,356	57	1,425	1,674	4,512
Disposals	(3,021)	(185)	(1,728)	(3,576)	(8,510)
Transfer to investment in sublease	(5,858)	-	(223)	-	(6,081)
At 31 December 2023	7,334	966	3,947	8,828	21,075
Net book value					
At 31 December 2023	1,684	-	3,279	1,954	6,917
At 31 December 2022	7,057	352	2,971	5,190	15,570
Property, plant and equipment	-	-	-	1,954	1,954
Right-of-use assets	1,684	-	3,279	-	4,963

In 2023, the Group disposed of assets with a net book value of £4.9m, including property, plant and equipment of £2.8m and right-of-use assets of £2.1m. On transferring the Group's entire owned Estate Agency to franchise, the Group derecognised £4.3m property and vehicle right-of-use assets of £4.3m and recognised an investment in sublease in its place.

The additions value consists of property, plant and equipment of £0.7m (2022: £2.0m) and right-of-use asset of £4.3m (2022: £5.1m).

19. Financial assets

	2023	2022
	£'000	£'000
(a) Financial assets at fair value through other comprehensive income (FVOCI)		
Unquoted shares at fair value	-	322
(b) Financial assets at fair value through income statement (FVPL)		
Unquoted shares at fair value (Openwork units)	399	678
Contingent consideration receivable	5,062	-
(c) Financial assets at amortised cost		
Investment in sublease	3,338	45
Loans to franchisees and appointed representatives	2,099	-
	10,898	1,045
Non-current assets	8,818	1,045
Current assets	2,080	-
	10,898	1,045

(a) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) include unlisted equity instruments which are carried at fair value and measured using level 3 valuation techniques. During the period the Group disposed of the following equity instruments:

- The Group sold its shares in Yopa Property Limited for £nil consideration based on third party valuations provided to the existing shareholders (fair value at 31 December 2022: £nil); and
- The Group sold its shares in Vibrant Energy Matters Limited (VEM) for consideration of £0.2m (fair value at 31 December 2022: £nil).

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

During the period, the Group also wrote down its investment in Global Property Ventures to £nil at 31 December 2023 (2022: £0.1m). The Group also holds an equity instrument in NBC Property Master Limited which is carried at £nil value (2022: £nil).

(b) Financial assets at fair value through income statement

Financial assets through profit or loss (FVPL) include unquoted shares in Openwork's and contingent consideration receivable which are carried at fair value and measured using level 3 valuation techniques. During the year, the following gains/(losses) were recognised in the income statement:

	2023	2022
	£'000	£'000
Fair value (losses) / gains on equity investments at FVPL recognised in other operating costs	(279)	678
Fair value losses on contingent consideration recognised as exceptional	(4,093)	-
Finance income recognised on contingent consideration receivable	986	-

Openwork Units

During the period the fair value of units held in The Openwork Partnership LLP was reassessed to £0.4m (31 December 2022: £0.7m), with the reduction in value recognised in other operating costs. Our valuation is based on an estimated strike price which has been calculated using the average strike price from recently executed trading windows.

Contingent Consideration Receivable

Contingent consideration of £4.8m relates to EFS, Group First and RSC which were sold in H1 2023. The consideration payable will be 7x the combined EBITDA in calendar year 2024, subject to working capital adjustments and is payable in H1 2025. The

fair value of the contingent consideration receivable has been calculated for each of the three disposals noted above based on forecast profitability in calendar year 2024, discounted at 15.5% (Financial Services Division's weighted average cost of capital for an 18-month period).

The future cash flow and discount rate assumptions are key to the calculation, if full year 2024 profitability was to reduce by 10% this would result in a reduction in the receivable of £0.5m, if profitability was to increase, this would result in an increase in the receivable of the same amount. If the discount rate was to increase by 1%, the receivable would decrease by £0.1m, and if the discount rate was to reduce by 1%, this would result in an increase in the receivable of the same amount.

The remaining £0.3m of contingent consideration relates to amounts due from disposed lettings books, amounts are receivable in December 2024 and November 2025.

(c) Financial assets measured at amortised cost

Financial assets measured at amortised cost include investment in subleases and loans to Franchisees and Appointed Representatives.

Investment in subleases

The Group recognises an investment in sublease in scenarios where it is an intermediate lessor, and the sublease is classified as finance lease. On recognition, the investment in sublease is valued as the remaining fixed payments due from the sublessor, discounted at the discount rate implicit in the headlease. The Group recognises finance income over the remaining life of the leases. An expected credit loss has been provided against the investment in sublease of £0.1m, applying a 12-month expected credit loss model.

Loans to franchisees and appointed representatives

The loans to franchisees and appointed representatives balance includes loans to franchisees in the Estate Agency Franchising segment and loans to appointed representatives in Financial Services.

The franchisee loans reflect drawdowns on agreed facilities which have availability over a range of periods from 31 December 2024 to 31 December 2025, are repayable in full within 24 months from the respective period end and bear fixed rate interest at 8.5%. The Group has issued franchisee loans of £1.6m during the period and has received principal repayments of £0.8m, an expected credit loss has been provided against the facility of £0.1m applying a 12-month expected credit loss model.

The Group issues loans to appointed representatives in the normal course of business and on standard terms, the duration is typically three years and the loans are offered on an interest-free basis. The Group has issued loans to appointed representatives of £1.3m during the year, which were subsequently written down by £0.2m, and received principal repayments of £0.5m. An expected credit loss has been provided against the remaining facility of £0.3m, applying a 12-month expected credit loss model. In previous periods, the Group has reported loans to appointed representatives as part of prepayments in trade and other receivables.

20. Investment in joint venture

	2023	2022
	£'000	£'000
Opening balance	5,068	1,610
Equity investment in Pivotal Growth	4,681	3,952
Equity accounted (loss)	(549)	(494)
Adjustment for non-controlling interests	159	-
Closing balance	9,359	5,068

Pivotal Growth

The Group is party to one joint venture, Mottram TopCo Limited. The Group holds a 47.8% (2022: 47.8%) shareholding in Mottram TopCo Limited and has joint control by virtue of its holding of 50% of the voting shares in Mottram TopCo Limited and through rights granted to it under a joint venture agreement.

Mottram TopCo Limited holds a 100% shareholding in Mottram MidCo Limited which in turn holds a 89.6% shareholding in Pivotal Growth Limited (Pivotal). Mottram TopCo and Mottram MidCo are both holding companies. Pivotal is a direct-to-consumer (D2C) financial services advice business which invests in growing mortgage and protection brokerages to help them build long-term sustainable value. The brokerages will have access to LSL's financial services network which further aids the brokerages and LSL's growth plans. Pivotal's principal place of business is the United Kingdom.

As at 31 December 2023, the Group did not have any commitments or contingent liabilities relating to Pivotal. The Group invested a further £4.7m during the year (2022: £4.0m).

The summarised financial information of Pivotal, which is accounted for using the equity method, is presented below:

	2023	2022
	£'000	£'000
Pivotal balance sheet:		
Non-current assets	28,981	11,827
Current assets (excluding cash and cash equivalents)	2,273	257
Cash and cash equivalents	8,896	1,986
Current liabilities	(7,874)	(1,357)
Non-current liabilities	(12,574)	(2,110)
Net assets	19,702	10,603
Add Back: Net assets attributable to non-controlling interests	241	-
Net assets attributable to Pivotal	19,943	-
LSL share of Pivotal's net assets*	9,359	5,068

Note: *LSL's share of Pivotal's assets was adjusted to include the effect of share based payments within the joint venture.

	2023	2022
	£'000	£'000
Pivotal results:		
Revenue	37,308	6,217
Operating expenses	(37,886)	(6,974)
Operating loss	(578)	(757)
Finance costs	-	(6)
Finance income	34	-
Loss before tax	(544)	(763)
Taxation	(606)	(269)
Loss after tax	(1,150)	(1,032)
LSL share of total loss after tax	(549)	(494)
Adjustment for non-controlling interests	159	-
LSL share of post-tax (loss) from joint venture	(390)	(494)

The above Pivotal results for the period ended 31 December 2023 includes the following:

	2023	2022
	£'000	£'000
Depreciation	(170)	(24)
Amortisation	(51)	(3)

21. Contract assets

	2023	2022
	£'000	£'000
Non-current contract asset	329	431
Current contract asset	40	348
	369	779

In 2021, the Group entered 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 income statement in 2023 is £0.3m (2022: £0.4m). During the year, the Group reviewed the contract's value-in-use (VIU) and recognised £0.1m (2022: £nil) impairment to the asset.

22. Trade and other receivables

	2023	Restated*
	£'000	2022 £'000
Current		
Trade receivables	5,611	14,887
Prepayments*	6,377	10,761
Accrued income	9,656	7,982
Other debtors	1,562	380
Reclassified to held for sale	-	(7,402)
	23,206	26,608

*Accrued income was reported within the prepayments balance in the 2022 financial statements.

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 2023, trade receivables with a nominal value of £3.6m (2022: £3.0m) were impaired and provided for. Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2023	2022
	£'000	£'000
At 1 January	2,988	3,248
Provision for expected credit losses	1,588	453
Amounts written off	(954)	(713)
At 31 December	3,622	2,988

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 gross trade receivables by credit risk rating grades is as follows:

	Total	Neither past due nor impaired	<30 days	30-60 days	60 – 90 days	90 – 120 days	> 120 days
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2023	18,889	7,215	5,568	863	362	515	4,366
2022	25,857	17,552	2,504	780	329	211	4,481

The expected credit loss rate applied by ageing bracket has been disclosed below:

	Neither past due nor impaired	<30 days	30-60 days	60 – 90 days	90 – 120 days	> 120 days
2023	0.24%	6.29%	14.03%	28.60%	33.81%	64.71%
2022	0.90%	7.77%	17.77%	36.79%	50.06%	50.68%

During 2023 the expected credit loss rate applied to >120 days ageing bracket has increased due to a higher expectation of credit risk. This has been driven by increased bad debt write offs in the year.

23. Cash and cash equivalents

Bank overdrafts reflect the aggregate overdrawn balances of Group companies (even if those companies have other positive cash balances). The overdrafts are held with the Group's relationship banks.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2023	2022
	£'000	£'000
Cash and cash equivalents	58,110	61,215
Bank overdrafts	(23,139)	(24,460)
Cash and cash equivalents	34,971	36,755

24. Trade and other payables

	2023	2022
	£'000	£'000
Current		
Trade payables	6,423	8,416
Other taxes and social security payable	4,755	11,764
Other payables	6,683	2,524
Accruals	9,769	25,430
Commission refund liability*	2,855	5,240
Reclassified to held for sale	-	(6,344)
	30,485	47,030

*Formerly named lapse provision.

Commission refund liability

Certain subsidiaries earn commissions on the sale of life assurance and general insurance products with terms from one to four years 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 subsidiaries do not hold insurance risk on the life assurance and general insurance products sold.

The commission refund liability is recognised as a reduction in revenue. The liability represents management's best estimate of commissions that will be clawed back for insurance products sold that may be cancelled in future periods and is calculated based on historic cancellation experience. If average lapse rates across all products sold were to increase by 1.0%, the total liability would increase by £0.3m. The reduction in commission refund liabilities in the year was due to the Group's disposals of its direct-to-consumer financial service advice businesses EFS, Group First and RSC.

25. Financial liabilities

	2023	2022
	£'000	£'000
Current		
IFRS 16 lessee financial liabilities	3,255	4,669
Contingent consideration	65	2,280
	3,320	6,949
Non-current		
IFRS 16 lessee financial liabilities	5,085	6,246
Contingent consideration	-	31
	5,085	6,277

Bank loans – RCF and overdraft

In accordance with the terms at 31 December 2023, the utilisation of the RCF may vary each month as long as this does not exceed the maximum £60.0m facility (2022: £90.0m). The Group's overdraft is also secured on the same facility, and the combined overdraft and RCF cannot exceed £60.0m (2022: £90.0m). The banking facility is repayable when funds permit on or by May 2026.

The bank loan totalling £nil (2022: £nil) is secured via cross guarantees issued from the following businesses: LSL Property Services plc, Your-move.co.uk Limited, Reeds Rains Limited, e.surv Limited, Lending Solutions Holdings Limited, First Complete Limited, New Daffodil Limited, St Trinity Limited, LSL Corporate Client Services Limited, Advance Mortgage Funding Limited, LSLi Limited, Vitalhandy Enterprises Limited, Personal Touch Financial Services Limited and Personal Touch Administration Services Limited.

Fees payable on the RCF amounted to £0.7m during the year (2022: £1.0m) including amortisation of arrangement fees and non-utilisation fees.

Contingent consideration

	2023 £'000	2022 £'000
RSC	-	2,280
DLPS	65	31
	65	2,311
Current contingent consideration	65	2,280
Non-current contingent consideration	-	31
Total contingent consideration	65	2,311
Opening balance	2,311	3,008
Cash paid	(2,280)	(76)
Acquisition	-	-
Amounts recorded through income statement	34	(621)
Closing balance	65	2,311

RSC

The contingent consideration of £2.3m, in line with the fair value recognised at 31 December 2022 was paid in January 2023 prior to the disposal of the entity.

Direct Life and Pensions Services Limited

£0.07m of contingent consideration relates to DLPS, acquired in January 2021. The additional consideration has been calculated using earnings multiple of four times EBITA. The contingent consideration was paid in February 2024.

The table below shows the allocation of the contingent consideration liabilities (income)/charge to the income statement:

	2023 £'000	2022 £'000
Arrangement under IFRS 3	31	(696)
Unwinding of discount on contingent consideration (note 8)	3	75
Debit / (credit) to income statement	34	(621)

The contingent consideration charged to the income statement in the year, excluding the unwinding of discount relates to the previous acquisitions of DLPS, debit of £0.03m (2022: £0.03m credit).

26. Provisions for liabilities

2023

	PI claim provisions £'000	Onerous leases £'000	Dilapidation provision £'000	Restructuring provision £'000	Other £'000	Total £'000
Balance at 1 January	2,341	14	-	-	-	2,355
Transfer from accruals*	-	-	1,007	-	571	1,578
Provided in financial year	1,622	-	4,647	2,941	-	9,210
Amount utilised	(406)	(13)	-	(872)	-	(1,291)
Amount released	(339)	-	(82)	-	-	(421)
Unwinding of discount	-	-	119	-	-	119
Balance at 31 December	3,218	1	5,691	2,069	571	11,550
Current liabilities	1,314	1	1,948	2,069	571	5,903
Non-current liabilities	1,904	-	3,743	-	-	5,647
	3,218	1	5,691	2,069	571	11,550

*The Group has transferred £1.2m of opening balances from accruals during 2023, including dilapidation provisions of £1.0m and an indemnity provision of £0.6m relating to a previously disposed joint venture. The reclassification of the dilapidation provision is the result of a change to the planned timing of future works and the reclassification of the indemnity provision is the result of a reassessment by Management in light of ongoing legal matters which cannot be assessed with a high degree of certainty.

PI claim provisions:

Surveying & Valuation PI provision

The PI claim provision is to cover the costs of claims that arise during the normal course of business. The PI claim provision includes both valuation and defect claims and provides for claims already received from clients and claims yet to be received. The provision is Management's 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 claim 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. As of 31 December 2023, the total provision for PI claim was £2.4m. The Directors have considered the sensitivity analysis on the key risks and uncertainties discussed above.

Valuation claims:

- Cost per claim**
 A substantial element of the PI claim provision relates to specific claims where disputes are ongoing. These specific claims have been separately assessed and specific provisions have been made. The average cost per claim has been used to calculate the claims incurred but not yet reported (IBNR). Should the costs to settle and resolve these specific 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 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 more than that assumed in the IBNR calculations would increase the required provision by £0.5m. Claims are settled, on average, 3.7 years after initial notification.
- 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 £0.1m would be required.

Defect claims:

The Group also provides for defect claims, whereby it is found that a property has a defect which was not identified when the survey was performed. The value provided for each received claim is the expected value of that claim. To assess the value of future claims incurred but not yet received (IBNR), analysis is performed on the number of surveys that lead to future claims and the average cost per claim.

PI release:

The PI amounts released relate to a PI balance that was originally recognised as exceptional and relates specifically to valuation work performed pre-2008 (pre financial crisis).

Financial Services PI provision

The PI claim provision is to cover the costs of claims that arise during the normal course of business. The PI provision provides for both claims which have been received from customers and claims yet to be received (IBNR). The provision includes amounts for the anticipated cost of offering redress where appropriate, and is calculated using management's best estimate of the potential liability for claims received. In addition, an asset is recognised for the estimated recoveries from professional indemnity insurance. The provision is presented gross of amounts due from insurers which form part of other debtors included in note 22.

The Group calculates a provision for claims expected to be received based on the historical rate of claims, average cost per claim and the time which elapses between the advice being provided and the claim being raised. The average cost per claim is calculated based on data from recent claims paid. If the average rate of claim was to increase by 10%, the IBNR provision would increase by £0.01m and if the average cost per claim was to increase by 10%, this would result in an increase to the provision of £0.02m.

As at 31 December 2023, the total provision for Financial Services PI was £0.9m, including a provision for received claims of £0.7m and IBNR of £0.2m. The Group has recognised an asset of £0.6m against received claims in other debtors at 31 December 2023.

Dilapidation provision:

The Group recognises its obligation to make good its leased properties when it becomes probable that there will be an economic outflow and a reliable estimate can be made, this is typically where notice has been served to the landlord and there is an agreed exit date.

During the year, the Group has entered into a number of 'right to occupy' agreements with its estate agency franchisees. The right to occupy agreements relate to leases held by the Group that are due to be novated to the franchisees. They set out the Group's obligations to the franchisees, regarding the making good of existing modifications to the leased properties incurred during the Group's tenancy, which will be payable to the franchisees at the point of novation. The calculation of the Group's dilapidation settlement provision is based on an average cost rate per square foot, for damages already incurred during the Group's occupancy. The provision is discounted using a risk-free discount rate based on expected date of novation of the lease.

If the average rates applied were to increase by 10% this would result in an increase in the overall provision of £0.8m, if they were to decrease by 10% this would result in a reduction of the same amount. If the discount rate was to increase by 1.0% this would result in a decrease in the provision of £0.1m, if the discount rate was to decrease by 1.0% this would result in an increase in the provision of the same amount. Management has concluded the provision to be the best estimate of the expenditure required to settle present obligations at the end of the reporting period.

Restructuring provision:

The restructuring provision recognised relates to costs associated with the disposal of the owned branch network (£2.0m), including committed branch works (£1.1m) and legal costs for the novation of leases to franchisees (£0.9m).

Other:

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, the Group disposed of LMS in 2021. 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 costs would be £1.4m.

27. Leases

Group as a lessee

At the year ended 31 December 2023, the Group has the following in regards to leases in the Group Balance Sheet.

Right-of-use assets	2023			2022		
	Property £'000	Motor vehicles £'000	Total £'000	Property £'000	Motor vehicles £'000	Total £'000
1 January	6,813	2,971	9,784	22,788	3,550	26,338
Additions	1,615	2,710	4,325	3,356	2,075	5,431
Disposals	(1,597)	(462)	(2,059)	(1,479)	(52)	(1,531)
Depreciation	(1,356)	(1,425)	(2,781)	(5,813)	(1,963)	(7,776)
Transfer to investment in sublease	(3,791)	(515)	(4,306)	-	-	-
Reclassified as held for sale	-	-	-	(12,039)	(639)	(12,678)
31 December	1,684	3,279	4,963	6,813	2,971	9,784

These are included in the carrying amounts of property, plant and equipment on the face of the Group Balance Sheet and have been included in note 18.

Lease liabilities	2023 £'000	2022 £'000
1 January	10,915	28,117
Additions	4,350	5,550
Interest expense	580	1,387
Disposals	(2,396)	(875)
Repayment of lease liabilities	(5,109)	(8,557)
Classification as held for sale	-	(14,707)
31 December	8,340	10,915

The Group added £4.4m (2022: £5.6m) of new lease liabilities in the year. The weighted average discount rate applied across the Group for these additions was 7.40% (2022: 7.21%)

Maturity of these lease liabilities undiscounted is analysed as follows:

	£'000 Property	£'000 Vehicles	£'000 Total
Current lease liabilities	2,194	1,659	3,853
Non-current lease liabilities	3,107	2,357	5,464
31 December 2023	5,301	4,016	9,317

These are included in non-current and current financial liabilities on the face of the Group Balance Sheet and have been included in note 25. Maturity analysis of the future cash flows of lease liabilities has been included in note 32.

Group as a lessor

Following the transition of the Group's entire owned estate agency network to franchises, described further in note 6, the Group has become an intermediate lessor on premises it leased whilst owning the estate agency network, that are now operated by franchisees.

In such situations, the Group has maintained the head lease with the original lessor, and has entered a sublease with the franchisee until the head lease transfers or expires.

The Group, in its capacity as lessor, has determined that the subleases with franchisees are finance leases and on the commencement date of the sublease, the Group has derecognised the right-of-use assets previously associated with these leases and recognised a net investment in the sublease of £4.3m on its balance sheet. The Group has since received £1.1m of repayments from the franchisees in relation to the subleases, with finance income of £0.1m being recognised.

These leases have a term of up to five years. Although the risks associated with rights that the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks. For example, including clauses to enable periodic upward revision of the rental charge in line with the head lease.

The maturity analysis of lease receivables, including the undiscounted lease payments to be received are as follows:

	2023	2022
	£000	£000
Less than 1 year	1,540	-
1-2 years	965	-
2-3 years	570	-
3-4 years	239	-
4-5 years	102	-
More than 5 years	74	-
	3,490	-
Unearned finance income	(152)	-
Net investment in sublease	3,338	-

The following shows how lease income and expenses have been included in the income statement and cash flow statement, broken down between amounts charged to operating profit and amounts charged to finance costs:

	2023	Restated 2022
	£'000	£'000
<i>Depreciation of right-of-use assets</i>		
Property	(1,356)	(5,813)
Vehicles	(1,425)	(1,963)
Short term and low value lease expense (note 10)	(2,294)	(2,646)
Sublease income	2,294	68
Charge to operating profit	(2,781)	(10,354)
Interest expense related to lease liabilities	(580)	(1,387)
Interest income related to investment in sublease	140	-
Charge to profit before taxation	(440)	(1,387)
Cash inflow/(outflow) relating to operating activities	440	(1,387)
Cash inflow relating to investing activities	1,134	68
Cash outflow relating to financing activities	(4,529)	(7,170)
Total net cash (outflow) relating to leases	(2,955)	(8,489)

At the 31 December 2023, the Group had not entered into any leases to which it was committed but had not yet commenced.

28. Share capital

	2023		2022	
	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	105,158,950	210
At 31 December	105,158,950	210	105,158,950	210

29. 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 15 gives further details of these plans.

Shares held by employee benefit trust (EBT) and share incentive plan (SIP)

Shares held by EBT represent the cost of LSL shares purchased in the market and held by the Employee Benefit Trust and the Share Incentive Plan (SIP) to satisfy future exercise of options under the Group's employee share options schemes.

At 31 December 2023, the Trust held 517,949 (2022: 1,063,097) LSL shares at an average cost of £3.86 (2022: £3.72), and the SIP held 991,419 (2022: 1,185,692) LSL shares at an average cost of £0.88 (2022: £0.88). The market value of the LSL shares at 31 December 2023 was £3.9m (2022: £4.1m). The nominal value of each share is 0.2 pence.

Treasury shares

Treasury shares represent the cost of LSL shares purchased in the market as a result of a share buy-back scheme which commenced in April 2022 and ceased in September 2022. At 31 December 2023, LSL had repurchased 1,179,439 (2022: 1,179,439) LSL shares at an average cost of £3.38 (2022: £3.38). The market value of the LSL shares at 31 December 2023 was £3.0m (2022: £4.1m). 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. Following the disposals of investments in Vibrant Energy Matters Limited (VEM) and Yopa Property Limited (Yopa) during the year, £20m of fair value held within the fair value reserve were transferred to retained earnings.

30. 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 £4.5m (2022: £6.0m). At the 31 December 2023, there were outstanding pension contributions of £0.5m (2022: £0.9m) included in trade and other payables.

31. Client monies

As at 31 December 2023, monies held by the Group on behalf of franchisees in separate bank accounts in relation to client monies amounted to £68.4m (2022: £104.1m). 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 further £60m revolving credit facility which is undrawn at the balance sheet date. 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 use of the Group's RCF. The RCF incurs interest on drawings at a variable rate, based on the Bank of England base rate plus a margin and this policy is managed centrally by the Group treasury function. The subsidiaries are not permitted to borrow from external sources directly without approval from the Group treasury function.

The Group has not drawn down on its RCF during the year to 31 December 2023 and therefore has incurred no interest, the amount shown in interest expense relates to the amortisation of the facility fees.

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 has net current assets in the current year. 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 (e.g. 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.

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 time depending on the immediate cash requirements of the Group and earn varying interest rates. The fair value of net cash and cash equivalents is £34.9m (2022: £40.1m, including £3.4m included in assets held for sale). At 31 December 2023, the Group had available £60.0m of undrawn committed borrowing facilities, of which the Group could have drawn £33.0m under the terms of the facility (2022: the Group could have drawn £90.0m of the facility available at 31 December 2022).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2022 based on contractual undiscounted payments:

Year ended 31 December 2023

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	-	6,423	-	-	-	6,423
Other payables	-	21,207	-	-	-	21,207
Overdraft	23,139	-	-	-	-	23,139
Contingent consideration	-	65	-	-	-	65
Lease liabilities	-	963	2,890	5,385	79	9,317
	23,139	28,658	2,890	5,385	79	60,151

**Year ended 31 December 2022
(Restated)**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	-	8,416	-	-	-	8,416
Other payables	-	39,718	-	-	-	39,718
Overdraft	24,460	-	-	-	-	24,460
Contingent consideration	-	2,280	-	31	-	2,311
Lease liabilities	-	1,886	5,659	15,371	5,025	27,941
	24,460	52,300	5,659	15,402	5,025	102,846

The 2022 disclosure includes all payable balances that have been transferred to liabilities held for sale.

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 achieve higher interest income. 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 capital adequacy requirements, and maximise shareholder value. The capital structure of the Group consists of cash and cash equivalents and equity attributable to the shareholders comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Group does not have a current ratio of Net Bank Debt to EBITDA (2022: nil) due to a net cash position of £34.9m (2022: net cash £40.1m) and operating profit before exceptional costs, amortisation and share-based payment charge of £9.3m (2022: £36.5m). 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.

Credit risk

There are no significant concentrations of credit risk within the Group. The Group is exposed to 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.

Estate Agency Franchising's highest risk exposure is in relation to loans to franchises and their ability to service their debt. The Directors have established a credit policy under which each new franchisee is analysed individually for creditworthiness before a franchise is offered. The Company's review includes external ratings, when available, and in some cases bank references.

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 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

LSL'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 as at 31 December 2023 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	Total £'000
<i>Floating rate</i>					
Cash and cash equivalents	58,110	-	-	-	58,110
Bank overdrafts	(23,139)	-	-	-	(23,139)

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.

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:

2023	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	5,461	-	-	5,461
Liabilities measured at fair value				
Contingent consideration	65	-	-	65
2022				
	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	1,045	-	-	1,045
Liabilities measured at fair value				
Contingent consideration	2,311	-	-	2,311

Financial assets in 2022 included £0.2m of IFRS 16 subleases held in assets held for sale.

The fair value of financial assets that are not traded in the open market is £0.4m (2022: £1.0m), these 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%, £0.04m.

Contingent consideration receivable of £4.8m relates to EFS, Group First and RSC which were sold in 2023. The consideration payable will be 7x the combined EBITDA in calendar year 2024, subject to working capital adjustments and is payable in H1 2025. The fair value of the contingent consideration receivable has been calculated for each of the three disposals noted above based on forecast profitability in calendar year 2024, discounted at 15.5% (Financial Services Division's weighted average cost of capital for an 18-month period).

The future cash flow and discount rate assumptions are key to the calculation, if full year 2024 profitability was to reduce by 10% this would result in a reduction in the receivable of £0.5m, if profitability was to increase, this would result in an increase in the receivable of the same amount. If the discount rate was to increase by 1%, the receivable would decrease by £0.1m, and if the discount rate was to reduce by 1%, this would result in an increase in the receivable of the same amount.

The remaining £0.3m contingent consideration receivable relates to the Group's disposal of lettings books in the year. Amounts are receivable in December 2024 and November 2025.

The contingent consideration payable 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 25. Of the balance held at 31 December 2023, £0.07m (2022: £2.3m) relates to DLPS acquired in January 2021. The consideration has been calculated using earnings multiple of 4x EBITDA. The contingent consideration was paid in January 2024.

33. Related party transactions

As disclosed in note 20 LSL have one joint venture partner, Mottram Topco.

Transactions with Pivotal Growth and its subsidiaries

	2023	2022
	£'000	£'000
Gross commission received	17,340	3,833
Commissions paid to broker businesses	(6,710)	(3,421)
Revenue recognised	3,688	412
Receivable/(Payable) at 31 December	682	(3)

There are no transactions with Key Management Personnel other than those disclosed in note 15.

34. Events after the reporting period

On 2 February 2024, the Group acquired the entire issued share capital of TenetLime Limited (TenetLime), a subsidiary of Tenet Group Limited (Tenet Group). TenetLime operates a network providing services to mortgage and protection advisers operating within appointed representative (AR) firms. Following completion TenetLime became part of the PRIMIS Network and the Financial Services Network acquired 153 AR firms. The transaction also includes the transfer of AR firms from Tenet Connect Limited (Tenet Connect) into other parts of the PRIMIS Network.

The Group did not acquire TenetLime's network platform and only a small number of Tenet Group compliance staff were transferred to the Group through the operation of TUPE. No other staff or assets were transferred in connection with the transaction. The Group has therefore determined that the purchase was an asset acquisition and not a business combination on the basis that no substantive process was acquired. The primary asset acquired is the contractual relationship with each of the individual AR firms acquired.

The Group has paid initial consideration of £5.7m and will pay further consideration of up to c£4.6m in H1 2025, calculated by reference to the number of AR firms who remain in the PRIMIS Network 12 months following completion and calculated by reference to the turnover of these firms in 2022 and an expected payment of £1.4m for assets which form part of TenetLime's regulatory capital.

35. Alternative performance measures

In reporting financial information, the Group presents APMs which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional helpful information on the performance of the business but does not consider them to be a substitute for or superior to IFRS measures. Definitions and reconciliations of the financial APMs used to IFRS measures, are included below.

The Group reports the following APMs:

a) *Group and Divisional Underlying Operating Profit*

Underlying Operating Profit represents the profit/(loss) before tax for the period before net finance cost, share-based payments, amortisation of intangible assets, exceptional items and contingent consideration. This is the measure reported to the Directors as it considered to give a consistent indication of both Group and Divisional underlying performance.

The closest equivalent IFRS measure to Underlying Operating Profit is operating profit/(loss). Refer to note 5 for a reconciliation between profit/(loss) before tax and Group and Divisional Underlying Operating Profit.

b) *Group and Divisional Underlying Operating Margin*

Underlying Operating Margin is defined as Underlying Operating Profit divided by revenue. Refer to note 5 for the calculation of both Group and Divisional Underlying Operating Margin. The closest equivalent IFRS measure to Underlying Operating Margin is operating margin, refer to note 5 for a reconciliation between operating margin and Group Underlying Operating Margin.

c) *Adjusted basic earnings per share, adjusted diluted earnings per share and adjusted profit after tax*

Adjusted basic earnings per share is defined as Group Underlying Operating Profit adjusted for profit/(loss) attributed to non-controlling interests, net finance cost (excluding exceptional and contingent consideration items and discounting on leases) less normalised tax (to arrive at adjusted profit after tax), divided by the weighted average number of shares in issue during the financial period. The effect of potentially dilutive ordinary shares is incorporated into the diluted measure.

The closest equivalent IFRS measures are basic and diluted earnings per share. Refer to note 12 for a reconciliation between earnings/(loss) per share and adjusted earnings per share.

d) *Adjusted operating expenditure*

Adjusted operating expenditure is defined as the total of employee costs, depreciation on property, plant and equipment and other operating costs and is considered to give a consistent indication of the Group's underlying operating expenditure.

	2023	Restated 2022
	£'000	£'000
Total operating expenditure	(140,671)	(239,172)
<i>Add back:</i>		
Other (losses) / gains	211	(1,334)
Gain on sale of property, plant and equipment	-	-
Share of post-tax (loss)/profit from joint venture	390	494
Share-based payments	(164)	1,860
Amortisation of intangible assets	2,258	2,787
Exceptional gains	(9,320)	(694)
Exceptional costs	13,767	48,316
Contingent consideration	31	(696)
Adjusted operating expenditure	(133,498)	(188,439)

e) *Net cash/debt*

Net cash/debt is defined as current and non-current borrowings, less cash on short-term deposits, IFRS 16 financial liabilities, deferred and contingent consideration and where applicable cash held for sale.

	2023	Restated 2022
	£'000	£'000
Net Bank Cash/Debt is defined as follows:		
Interest-bearing loans and borrowings (including loan notes, overdraft, IFRS 16 Leases, contingent and deferred consideration, bank overdraft)		
- Current	26,459	31,410
- Non-current	5,085	6,277
	31,544	37,687
Less: cash and short-term deposits	(58,110)	(61,215)
Less: IFRS 16 lessee financial liabilities	(8,340)	(10,915)
Less: deferred and contingent consideration	(65)	(2,311)
Less: cash included in held for sale	-	(3,355)
Net Bank Cash / Debt	(34,971)	(40,109)

f) *Adjusted cash flow from operations*

Adjusted cash flow from operations is defined as cash generated from operations, less the repayment of lease liabilities, plus the utilisation of PI provisions.

	Restated 2022
2023	
£'000	£'000
Cash generated from operations	34,116
Payment of principal portion of lease liabilities	(7,170)
PI provision utilisation	762
Adjusted cash flow from operations	27,708

g) *Cash flow conversion rate*

Cash flow conversion rate is defined as cash generated from operations (pre-PI Costs and post-lease liabilities, divided by Group Underlying Operating Profit.

	Restated 2022
2023	
£'000	£'000
Adjusted cash flow from operations	27,708
Group Underlying Operating Profit	35,834
Cash flow conversion rate	77.3%

36. Prior year restatements

Franchising of previously owned branches

During the current period, the Group franchised its entire owned estate agency network (183 branches). In accounting for this significant transaction, the Group re-examined the accounting treatment that had been applied to a much smaller transaction in H1 2019, when 39 owned estate agency branches were franchised. The Group has re-examined certain judgements made in accounting for the 2019 transaction, which were deemed appropriate at the time, and has determined that restatement of the prior year financial information, in accordance with IAS 8, is appropriate. The cumulative impact on retained earnings on 1 January 2022 was a reduction of £4.0m and was not cash-adjusting. The restatements are discussed in points 1-3 below:

1. Disposal of goodwill

When the transaction in 2019 was originally accounted for, it was considered not necessary to dispose of goodwill associated with the previously owned branches which were franchised. Having re-examined the accounting treatment applied; the Group has determined that goodwill of £5.2m, associated with the previously owned Your Move and Reeds Rains branches, should have been derecognised in 2019. Restatement of the prior year financial information in this regard results in a decrease in non-current assets only and has no impact on cash.

2. Recognition of franchise intangible and subsequent amortisation

The franchise agreements entered upon disposal of the previously owned branches were not considered to represent assets of the Group and were not recognised in 2019 when the transaction was accounted for. Having re-examined the accounting

treatment applied; restatement of the 2022 opening net assets in this regard will be an increase of £1.7m and has no impact on cash.

The fair value of the franchise intangible asset has been calculated based on the assumptions that would have been made had it been determined in 2019. This was calculated using the expected future cash flows (at the date of the agreement), discounted using a post-tax discount rate of 8.2% (the Group's WACC at the date of the agreement). A term of 15 years has been applied, consistent with management's estimate of most likely minimum term per the franchise agreement. Market growth rates, consistent with the Group's assumptions in 2019 were applied to 2020 and 2021, with a long-term growth rate of 1.8% applied thereafter.

3. Revision to goodwill impairments

In light of point 1 above, the impairment charged to the goodwill of Your Move and Reeds Rains at 31 December 2022 (£42.0m) has been re-examined to take account of the restated disposal of goodwill in 2019, resulting in increased headroom. The impact of this assessment is a reduction to the impairment charge of £3.7m. Restatement of the prior year financial information in this regard results in an increase in non-current assets and has no impact on cash.

Adjustments to assets held for sale

At 31 December 2022 the Group reported Marsh & Parsons, a single CGU as held for sale. Marsh & Parsons was written down to its fair value less cost to sell (FVLCTS), which was calculated as the initial consideration received less transaction costs (£28.9m). The sale agreement included provisions for adjustments to the initial consideration for debt-like items and working capital adjustments. Such amounts were subject to negotiation and judgement and were not reflected in the fair value assessment at 31 December 2022. The Group has re-examined the judgements made and has determined that an adjustment to consideration for debt-like items of £2.0m could have been reliably estimated at 31 December 2022. Rather than recognising this adjustment as an increase in the loss on disposal in 2023, the prior year financial information has been restated, in accordance with IAS 8. Restatement of the prior year financial information in this regard results in a decrease in current assets, an increase in exceptional costs and has no impact on cash.

Customisation costs in computing arrangements

During the year, the Group revisited its accounting policy in relation to customisation costs incurred in implementing Software as a Service (SaaS) arrangements. The Group's accounting policy has historically been to capitalise costs directly attributable to the customisation of SaaS platforms (typically the cost of employees), as intangible assets on the balance sheet. The Group has reviewed its SaaS arrangements and current accounting policy during 2023 prompted by the significant restructuring during the year. The Group has concluded that the policy to capitalise SaaS customisation costs, which was considered appropriate at the time, should be revised, and has determined that restatement of the prior year financial information is appropriate.

The Group has applied the guidance per the IFRIC SaaS agenda decision as to whether customisation expenditure gives rise to an asset, including whether the Group has control of the software, or whether the customisation creates a resource controlled by the Group that is separable from the software. Where these criteria are not met, the Group's updated policy is to expense costs to operating expenses as they are incurred. The cumulative impact of the historic adjustment on retained earnings on 1 January 2022 was a reduction of £1.8m between 2019 – 2022 with a corresponding reduction to intangible assets. At 31 December 2022, the adjustment results in a further reduction of £0.8m to retained earnings and intangible assets, totalling £2.6m. The adjustment was not cash adjusting.

Cash offsetting

The Group has a bank offset arrangement that was previously recorded as part of cash and cash equivalents. The Group has reviewed its current arrangements and has concluded that while the Group has a legally enforceable right of offset, the Group did not intend to settle the year-end balance net. As a result, the overdraft balances included within the offset arrangement should be separately presented in the Group Balance Sheet, rather than netted off against cash and cash equivalents. Consequently, a restatement has been made with the effect that cash and cash equivalents and bank overdrafts as at 31 December 2022 increased by £23.1m (31 December 2021: £24.4m). The restatement has no impact on net assets, the Group's income statement or statement of cash flows.

Earnings per share

Basic and diluted earnings per share for prior periods have also been restated, as a result of the items above. For the year to 31 December 2022, the amount of the correction for both basic and diluted earnings per share was an increase of 0.7 pence.

Tax impacts of prior year adjustments

The Group has assessed the tax impact of its prior year adjustments and determined that only the restatement with regards to recognition of franchise intangible assets and subsequent amortisation has an impact of the tax charge previously reported. The impact would be a decrease in tax charge by £0.1m and has no impact on cash.

Balance sheet (extract)

	Reported year ended 31 December 2021	1. Disposal of goodwill	2. Franchise intangible asset	5. Customis ation costs	6. Cash offsetting	Restated year ended 31 December 2021	Reported year ended 31 December 2022	1. Disposal of goodwill	2. Franchise intangible asset	3. Revision of goodwill impairment s	4. Adjustment s to assets held for sale	5. Customisati on costs	6. Cash offsetting	Restated year ended 31 December 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current assets														
Assets held for sale	-	-	-	-	-	-	56,437	-	-	-	(2,035)	-	-	54,402
Cash and cash equivalents	48,464	-	-	-	24,248	72,712	36,755	-	-	-	-	-	24,460	61,215
Non-current assets														
Goodwill	160,865	(5,211)	-	-	-	155,654	56,530	(5,211)	-	3,678	-	-	-	54,997
Other intangible assets	29,604	-	1,670	(1,757)	-	29,517	15,747	-	1,533	-	-	(2,582)	-	14,698
Current liabilities														
Bank overdrafts	-	-	-	-	(24,248)	(24,248)	-	-	-	-	-	-	(24,460)	(24,460)
Non-current liabilities														
Deferred tax liability	(2,073)	-	(418)	-	-	(2,491)	(2,008)	-	(384)	-	-	-	-	(2,392)
Net assets	218,119	(5,211)	1,252	(1,757)	-	212,403	131,053	(5,211)	1,149	3,678	(2,035)	(2,582)	-	126,052
Equity														
Retained earnings	224,832	(5,211)	1,252	(1,757)	-	219,116	149,134	(5,211)	1,149	3,678	(2,035)	(2,582)	-	144,133
Total equity	218,119	(5,211)	1,252	(1,757)	-	212,403	131,053	(5,211)	1,149	3,678	(2,035)	(2,582)	-	126,052

Income statement (extract)

	2.							
<i>Reported year ended 31 December 2022</i>	<i>Recognition of franchise intangible and subsequent amortisation</i>	<i>3. Revision of goodwill impairments</i>	<i>4. Adjustments to assets held for sale</i>	<i>5. Customisation costs in computing arrangements</i>	<i>Restated year ended 31 December 2022</i>	<i>Continued operations</i>	<i>Discontinued operations</i>	
<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
<i>Other operating costs</i>	(67,500)	-	-	-	(1,054)	(68,554)	(35,502)	(33,052)
<i>Amortisation of intangible assets</i>	(4,112)	(137)	-	-	229	(4,020)	(2,787)	(1,233)
<i>Exceptional costs</i>	(88,898)	-	3,678	(2,035)		(87,255)	(48,316)	(38,939)
<i>Operating profit/loss</i>	(56,709)	(137)	3,678	(2,035)	(825)	(56,028)	(21,700)	(34,328)
<i>Taxation charge</i>	(4,891)	34	-	-	-	(4,857)	(3,020)	(1,837)
<i>Profit/(loss) for the year</i>	(64,017)	(103)	3,678	(2,035)	(825)	(63,302)	(26,791)	(36,511)

Forward-Looking Statement

This announcement may contain certain statements that are forward-looking statements. They appear in a number of places throughout this announcement and include statements regarding LSL's intentions, beliefs or current expectations and those of its officers, directors and employees concerning, amongst other things, LSL's results of operations, financial condition, liquidity, prospects, growth, strategies and the business it operates. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this update and, unless otherwise required by applicable law, LSL undertakes no obligation to update or revise these forward-looking statements. Nothing in this announcement should be construed as a profit forecast. LSL and its Directors accept no liability to third parties in respect of this announcement save as would arise under English law.

Any forward-looking statements in this announcement speak only at the date of this announcement 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 announcement.