Company Registration No. 02685937 (England and Wales)

DAVID FROST ESTATE AGENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

DAVID FROST ESTATE AGENTS LIMITED

COMPANY INFORMATION

Directors	GW Young P Hardy (Resigned on 1 March 2021) P Bisset (Appointed on 1 March 2021) H E Buck
Secretary	S Bedi Fitzgerald
Company number	02685937
Registered office	Howard House 3 St Marys Court Blossom Street York YO24 1AH
Auditors	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
Bankers	Barclays Bank Plc York Area Group 1,2 & 3 Parliament Street York YO1 8XD

DAVID FROST ESTATE AGENTS LIMITED

CONTENTS

The directors present their report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the Company is the provision of estate agency services and related activities. The directors consider that this will continue unchanged for the foreseeable future.

Going concern

The net asset position of the Company at 31 December 2021 is £8,437,000 (2020: £7,150,000). The company has made a profit for the year and is in a net current asset position of £8,254,000 (2020: £6,924,000).

The Company participates in the Group's centralised treasury management and so shares banking arrangements with its fellow subsidiaries. LSL Property Services Plc is a listed entity in the UK. In determining whether the financial statements can be prepared on a going concern basis, the Directors have considered the Company's business activities together with the principal risk and uncertainty factors which are likely to affect its future performance and financial position. The key risks that the Company faces are described in the Strategic/Directors Report and mainly relate to the current UK Market Environment, competition, and external factors such as the geopolitical uncertainties adding to existing inflationary cost pressures.

The directors have tested the going concern ability of the company for a period to 18 August 2023. Forecasts prepared to 18 August 2023 demonstrate that the Company is forecast to trade profitably and generate cash, taking into account the risks explained above. These forecasts have been constructed on a base case scenario and further on downside scenarios with conservative assumptions including the worst possible trading outcomes. The continuing support of the Group Company and the cash-pooling arrangement is also a factor in the going concern review. Consequently, the Company has obtained a letter of support from the parent company confirming that it will provide financial support to the Company for a period to 18 August 2023 to assist in meeting its liabilities to the extent that the money is not otherwise available to the company to meet such liabilities. The Directors have assessed the level of financial support available, taking into account the Company's financial plan and cash flow forecast for the period to 18 August 2023 and are satisfied such support is available.

Dividends

No Dividend was paid during the year and the directors do not recommend the payment of a final dividend (2020: £nil)

Directors

The following directors have held office since 1 January 2021:

GW Young
P Hardy (Resigned on 1 March 2021)
P Bisset (Appointed on 1 March 2021)
H E Buck

Political donations

There were no political donations made during the year (2020: £Nil).

Financial instruments

Liquidity risk

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

Credit risk

There are no significant concentrations of credit risk within the Company. The Company is exposed to a credit risk in respect to revenue transactions (i.e. revenue from customers). It is the Company policy to obtain appropriate details of new customers before entering into contracts. The majority of the customers use the Company's services as part of a house sale transaction and consequently the debt is paid from the proceeds realised from the sale of the house by the vendor's solicitors before the balance of funds is transferred to the vendor.

DAVID FROST ESTATE AGENTS LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Statement of directors' responsibilities
The directors are responsible for preparing Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

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

On behalf of the board

DocuSigned by:
Peter Bisset
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P Bisset
Director

Date: 18th August 2022

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DAVID FROST ESTATE AGENTS LIMITED

Opinion

We have audited the financial statements of David Frost Estate Agents Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 18 August 2023.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom.

- We understood how David Frost Estate Agents Limited is complying with those frameworks making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated the results of our enquiries through reading the board minutes and other correspondence, making inquiries of management to identify if there are matters where there is a risk of breach of such frameworks that could have a material impact on the company. We understood controls put in place by management to reduce the opportunities for fraudulent transactions.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by internal EY team wide conversations and discussions, discussions with management from various parts of the business to understand where they considered there was susceptibility to fraud and what entity level controls are in place. We also identified the existence of performance targets and their potential influence on management to manage earnings by manipulating revenue. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with the laws and regulations and frameworks identified above and to respond to the assessed risks. Our procedures included: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions; enquiries of company management; and challenging the assumptions and judgements made by management by agreeing to supporting third party evidence wherever possible. We also leveraged our data analytics platform to review the entire population of journals to assist in identifying specific transactions to test being those that did not meet certain criteria. The results of our procedures did not identify any instances of irregularities, including fraud.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Mark Morritt (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
22 August 2022

DAVID FROST ESTATE AGENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Revenue	3	4,156	3,394
Administrative expenses		(2,839)	(2,145)
Operating profit	4	**1,317**	**1,249**
Interest Payable	5	(15)	(15)
Profit before taxation		**1,302**	**1,234**
Income tax expense	9	(8)	(249)
Profit for the year		**1,294**	**985**

All of the above are derived from continuing operations.

Statement of Other Comprehensive Income

There are no items of other comprehensive income for the current year or preceding period.

DAVID FROST ESTATE AGENTS LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	10	69	69
Property, plant and equipment	11	178	268
Deferred tax asset	9	15	10
		262	347
Current assets			
Trade and other receivables	13	8,003	7,926
Cash and Cash Equivalents		1,248	169
		9,251	8,095
Total assets		9,513	8,442
Current liabilities			
Trade and other payables	14	946	1,058
Financial liabilities	15	51	113
		997	1,171
Non-current liabilities			
Financial liabilities	15	79	121
Total liabilities		1,076	1,292
Net assets		**8,437**	**7,150**
Shareholder's equity			
Share capital	17	81	81
Share based payment reserve	18	19	26
Retained earnings		8,337	7,043
Total shareholder's equity		**8,437**	**7,150**

Approved by the Board and authorised for issue on 18th August 2022

DocuSigned by:
Peter Bisset
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P Bisset
Director

Company Registration No. 02685937

DAVID FROST ESTATE AGENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Share based payment reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
At 1 January 2020	81	32	6,058	6,171
Profit for the year	-	-	985	985
Total comprehensive income for the year	-	-	985	985
Share-based payment transactions	-	(6)	-	(6)
At 31 December 2020	**81**	**26**	**7,043**	**7,150**
Profit for the year	-	-	1,294	1,294
Total comprehensive income for the year	-	-	1,294	1,294
Share-based payment transactions	-	(7)	-	(7)
At 31 December 2021	**81**	**19**	**8,337**	**8,437**

DAVID FROST ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Corporate information

David Frost Estate Agents Limited is a private company limited by share capital incorporated in England.

The financial statements of the Company for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 18th August 2022.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention except for some financial liabilities measured at fair value.

The Company's financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand (£'000) except when otherwise indicated. The Company's financial statements are individual entity financial statements.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of LSL Property Services plc.

2 Accounting policies

2.1 Basis of preparation

The Company has prepared primary statements in accordance with IAS 1 Presentation of Financial Statements.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

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

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because: the share based payment arrangement concerns the instruments of another group entity;

(b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations

(c) the requirements of IFRS 7 Financial Instruments: Disclosures;

(d) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;

(e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

- (i) paragraph 79(a)(iv) of IAS 1;
- (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- (iii) paragraph 118(e) of IAS 38 Intangible Assets;

(f) the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D and 134-136 of IAS 1 Presentation of Financial Statements;

(g) the requirements of IAS 7 Statement of Cash Flows;

(h) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

(i) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(j) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and

(k) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2 Accounting policies (continued)

2.2 Significant accounting policies

Going concern

The net asset position of the Company at 31 December 2021 is £8,437,000 (2020: £7,150,000). The company has made a profit for the year and is in a net current asset position of £8,254,000 (2020: £6,924,000).

The Company participates in the Group's centralised treasury management and so shares banking arrangements with its fellow subsidiaries. LSL Property Services Plc is a listed entity in the UK. In determining whether the financial statements can be prepared on a going concern basis, the Directors have considered the Company's business activities together with the principal risk and uncertainty factors which are likely to affect its future performance and financial position. The key risks that the Company faces are described in the Strategic/Directors Report and mainly relate to the current UK Market Environment, competition, and external factors such as the geopolitical uncertainties adding to existing inflationary cost pressures.

The directors have tested the going concern ability of the company for a period to 18 August 2023. Forecasts prepared to 18 August 2023 demonstrate that the Company is forecast to trade profitably and generate cash, taking into account the risks explained above. These forecasts have been constructed on a base case scenario and further on downside scenarios with conservative assumptions including the worst possible trading outcomes. The continuing support of the Group Company and the cash-pooling arrangement is also a factor in the going concern review. Consequently, the Company has obtained a letter of support from the parent company confirming that it will provide financial support to the Company for a period to 18 August 2023 to assist in meeting its liabilities to the extent that the money is not otherwise available to the company to meet such liabilities. The Directors have assessed the level of financial support available, taking into account the Company's financial plan and cash flow forecast for the period to 18 August 2023 and are satisfied such support is available.

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	3 – 5 years straight line
Leasehold premises	Over the period of the lease
Leasehold Motor Vehicles	Over the period of the lease

Intangible assets

Intangible assets other than goodwill that are acquired separately are measured at cost on initial recognition. Following the initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Amortisation

Amortisation is charged to the Income Statement on a straight line basis over the estimated useful lives of intangible assets (unless such lives are indefinite) as follows:

Intangible assets – 5 years

of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

2 Accounting policies (continued)

2.2 *Significant accounting policies (continued)*

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern

Financial instruments

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

Cash

Cash in the balance sheet comprise cash at bank and in hand.

Trade receivables

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

Under IFRS 9 the expected credit loss model applies to trade and receivables. The chosen method of recognising the expected credit loss across the Company 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.

The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are de-recognised when they are assessed as uncollectable.

Trade payables

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

Impairment of assets

Impairment of non-financial assets

The Company 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 Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses on continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the profit and loss account.

DAVID FROST ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Accounting policies (continued)

2.2 Significant accounting policies (continued)

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Revenue recognition

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

Rendering of services

Revenue from the exchange fees in the Residential Sales business is recognised by reference to the legal exchange date of the housing transaction.

Revenue from Lettings is recognised on completion of the service being provided, and therefore at a point in time. Management services relating to Lettings are recognised over time using the time basis approach.

Financial Services income

A commercially agreed pay away is received from LSL's Financial Services division for referral and completion of mortgage procuration on the completion date of the housing transaction and is recognised at a point in time.

Leases

Leases are defined as a contract which gives the right to use an asset for a period of time in exchange for consideration. The Company 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 balance sheet, in financial liabilities, by recognising the future cash-flows of the lease obligation, discounted using the incremental borrowing rate of the Company, adjusted for factors such as swap rates available and the credit risk of the entity entering into the lease.

Corresponding Right of Use assets have been recognised in the 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.

Other leases are leases for low value items (less than $5,000) or leases whose contract term is less than 12 months. The practical expedient not to recognise right-of -use assets and lease liabilities for these leases has been utilised by the Company. A charge for these leases has been recognised through the income statement as an operating expense.

For sub-leases where the Company is an intermediate lessor, the Company has assessed whether the sub-lease is an operating lease or finance lease in respect to the right of use asset generated by the head lease. It has performed this assessment on a lease-by-lease basis. The Company has both finance leases and operating leases based on this assessment, and a sub-lease asset has been recognised in financial assets at transition for finance leases.

DAVID FROST ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Accounting policies (continued)

2.2 Significant accounting policies (continued)

Key Judgements and Estimates

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Where the implicit rate of interest relating to a lease is not readily available, the Company has used an incremental borrowing rate representative of the incremental borrowing rate of interest that the entity within the LSL Company that entered into the lease would have to pay to borrow over a similar term, with a similar security. The rate applied to each lease was determined taking into account the risk free rate, adjusted for factors such as the swap rates available to the Company and the credit risk of the entity entered into the lease.

Pensions

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

Income taxes

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

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

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

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

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

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

DAVID FROST ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Accounting policies (continued)

2.2 Significant accounting policies (continued)

Share-based payments

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

2.3 Judgements and key sources of estimation uncertainty

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are evaluated by management on an annual basis. After such evaluation, management have concluded that there are no estimates or judgements which impact the financial statements.

Deferred tax
The company recognises deferred tax assets on all applicable temporary differences where it is probable that future taxable profits will be available for utilisation. This requires Management to make judgements and assumptions regarding the amount of deferred tax that can be recognised based on the magnitude and likelihood of future taxable profits. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax liabilities are provided for in full.

Impairment of intangible assets
The company determines whether indefinite life intangible assets (including goodwill) are impaired on an annual basis and this requires an estimation of the value-in-use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash-flows and choosing a suitable discount rate (see note 10 to these Financial Statements).

2.4 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in operating costs within the income statement over the period necessary to match on a systematic basis to the costs that it is intended to compensate.

Government grants have been recognised in relation to the ongoing COVID-19 pandemic. These comprise amounts receivable under the Coronavirus Job Retention Scheme (CJRS) and amounts receivable under the Retail, Hospitality and Leisure Grant (RHLG) Fund.

CJRS comprises grants receivable in relation to the costs incurred by the Company for furloughed employees and is recognised in the income statement, within 2020 operating costs, in the same period as the related costs and when there is reasonable assurance that the grant will be received.

RHLG comprises grants receivable in relation to retail properties used for estate agency and lettings agency and is recognised in the income statement, within 2020 operating costs, in the same period as the related costs and when there is reasonable assurance that the grant will be received.

3 Revenue

The operations and main revenue streams are those described in the latest annual financial statements.

Disaggregation of revenue

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

	2021 £'000				
	Residential sales exchange	**Lettings**	**Financial services**	**Other**	**Total**
Timing of revenue recognition:					
Services transferred at a point in time	2,371	304	96	142	2,913
Services transferred over time	-	1,243	-	-	1,243
Total revenue from contracts with customers	**2,371**	**1,547**	**96**	**142**	**4,156**

	2020 £'000				
	Residential sales exchange	**Lettings**	**Financial services**	**Other**	**Total**
Timing of revenue recognition:					
Services transferred at a point in time	1,650	262	148	108	2,168
Services transferred over time	-	1,226	-	-	1,226
Total revenue from contracts with customers	**1,650**	**1,488**	**148**	**108**	**3,394**

4 Operating profit

	2021 £'000	**2020 £'000**
Operating profit is stated after charging:		
Depreciation of property, plant & equipment	131	140
Low value leases	10	10
Short term leases	53	16

5 Interest payable

	2021 £'000	**2020 £'000**
Bank charges and merchant costs	4	4
Unwinding of discount on lease liability	11	11
	15	**15**

DAVID FROST ESTATE AGENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

6 Auditors' remuneration

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

	2021 £'000	2020 £'000
Fees payable to the Company's auditor for the audit of the company's financial statements	6	6

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

7 Employees

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

	2021 No.	2020 No.
Provision of estate agency and related services	38	33

Staff costs including directors' remuneration, were as follows:

	2021 £'000	2020 £'000
Wages and salaries	1,703	1,288
Social security costs	179	138
Other pension costs (Note 16)	72	56
Cost of share option scheme	7	(6)
Total	**1,961**	**1,476**

8 Directors' remuneration

The directors of the Company were paid by the ultimate holding company, a fellow subsidiary and this company.

The directors received total remuneration for the year of £1,902,937 (2020: £694,254), including pension costs of £7,027 (2020: £8,064). The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and the services as directors of the holding and fellow subsidiary companies.

The remuneration of the highest paid director amounted to £1,177,933 excluding pension costs (2020: £360,933). Company contributions to money purchase pension schemes for that director amounted to £NIL (2020: £NIL)

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

The number of directors who were members of the money purchase pension schemes during the financial year totaled 3 (2020: 2).

The number of directors who exercised share options during the year was 2 (2020: 1).

DAVID FROST ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Taxation

	2021 £'000	2020 £'000
Current income tax:		
Group relief / Corporation tax payable	264	251
Adjustments in respect of prior periods	(251)	-
Total current income tax	13	251
Deferred tax:		
Origination and reversal of temporary differences	(1)	-
Impact of change in rates of tax	(4)	(1)
Adjustments in respect of prior periods	-	(1)
Total deferred tax	(5)	(2)
Tax expense	**8**	**249**

Reconciliation of the total tax charge.
The tax expense for the year is higher than the standard rate of corporation tax in the UK of 19.00% (2020:19.00%). The differences are explained below.

	2021 £'000	2020 £'000
Accounting profit before income tax	1,302	1,234
Tax calculated at UK standard rate of corporation tax of 19% (2020: 19%)	247	234
Expenses not deductible for tax purposes	-	1
Transfer pricing	18	16
Adjustments to previous periods	(251)	(1)
Changes in Tax laws	(4)	-
Impact of Share based payments	(2)	(1)
Total tax expense reported	**8**	**249**

Change in corporation tax rates
The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017.

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

Deferred tax

	2021 £'000	2020 £'000
At the beginning of the year	10	8
Profit movement for the year	5	2
Deferred tax	**15**	**10**

	2021 £'000	2020 £'000
Deferred tax balance is made up as follows:		
Accelerated capital allowances	13	9
Short term timing differences	2	1
Deferred tax	**15**	**10**

A deferred tax asset has been recognised on the basis that the Company is anticipated to make suitable taxable profits in the foreseeable future against which it can be utilised.

DAVID FROST ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Intangible assets

	Goodwill £'000
Cost	
At 1 January 2021	69
At 31 December 2021	**69**

	Goodwill £'000
Net book value	
At 31 December 2021	**69**
At 31 December 2020	69

Goodwill acquired through business combinations has been allocated to the following cash-generating units:

David Frost Estate Agents Limited

This represents the lowest level within the Company at which goodwill is monitored for internal management purposes.
A test of impairment was performed on Goodwill to determine the recoverable amount of the CGU. This was based upon a value in use calculation using cash flow projections based on financial budgets approved by the board covering a 3-year period. The discount rate applied to cash flow projections was 12.15% (2020: 11.7%). Cash flows beyond the three-year plan are extrapolated using a 2.0% growth rate (2020: 2.0%). Management are satisfied that the outcome of the impairment test demonstrates that no provision for impairment was necessary.

11 Property, plant and equipment

	Leasehold Improvements £'000	Fixtures, fittings and equipment £'000	Land and buildings £'000	Total £'000
Cost:				
At 1 January 2021	2	629	446	1,077
Additions	14	27	-	41
Disposals	-	(423)	(104)	(527)
At 31 December 2021	**16**	**233**	**342**	**591**
Depreciation:				
At 1 January 2021	1	587	221	809
Charge for the year	-	25	106	131
Disposals	-	(423)	(104)	(527)
At 31 December 2021	**1**	**189**	**223**	**413**
Net book value:				
At 31 December 2021	**15**	**44**	**119**	**178**
At 31 December 2020	1	42	225	268
Owned assets	15	44	-	59
Leased assets	-	-	119	119
Net book value 2021	**15**	**44**	**119**	**178**

DAVID FROST ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Leases

At the year end, the Company has the following in regards to leases in the balance sheet:

Right of use assets:

	2021 Land and buildings £'000	2021 Total £'000	2020 Land and buildings £'000	2020 Total £'000
1st January	225	225	307	307
Additions	-	-	34	34
Depreciation	(106)	(106)	(116)	(116)
31st December	**119**	**119**	**225**	**225**

These are included in the carrying amounts of PPE on the face of the balance sheet and have been included above.

Lease liabilities:

	2021 Total £'000	2020 Total £'000
At 1 January	234	302
Additions	-	34
Interest expense	11	11
Disposals	(3)	-
Repayment of lease liabilities (including interest)	(112)	(113)
At 31 December	**130**	**234**

Maturity of these lease liabilities is analysed as follows:

	2021 Land and buildings £'000	2021 Total £'000	2020 Land and buildings £'000	2020 Total £'000
Current lease liabilities	51	51	113	113
Non-current lease liabilities	79	79	121	121
Total lease liabilities	**130**	**130**	**234**	**234**

These are included in non-current and current financial liabilities on the face of the balance sheet, and have been included In Note 15 Financial assets.

DAVID FROST ESTATE AGENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	2021 £'000	2020 £'000
Depreciation of right of use assets:		
Property	106	116
Short term and low value lease expense	63	26
Charge to operating profit	**169**	**142**
Interest expense related to lease liabilities	11	11
Charge to profit before taxation	**11**	**11**
Cash outflow relating to operating activities	(101)	(102)
Cash outflow relating to financing activities	(11)	(11)
Total cash outflow relating to leases	**(112)**	**(113)**

13 **Trade and other receivables**

	2021 £'000	2020 £'000
Due within one year		
Trade receivables	80	96
Amounts owed by fellow subsidiary undertakings	7,425	7,571
Amounts owed by ultimate parent company	447	230
Prepayments and accrued income	51	29
	8,003	**7,926**

No provision for credit loss is required (2020: Nil).

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

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

	Total £'000	Neither past due nor impaired £'000	<30 days £'000	30-60 days £'000	60 – 90 days £'000	90 – 120 days £'000	> 120 days £'000
2021	80	80	-	-	-	-	-
2020	96	78	8	10	-	-	-

14 **Trade and other payables**

	2021 £'000	2020 £'000
Trade payables	34	28
Amounts owed to parent and fellow subsidiary undertakings	60	64
Corporation Tax	264	251
Taxes and social security costs	41	73
Other payables	7	6
VAT	158	309
Accruals and deferred income	382	327
	946	**1,058**

15 Financial liabilities

	2021 £'000	2020 £'000
Current		
Lease liabilities	51	113
Non-current		
Lease liabilities	79	121
Total financial liabilities	**130**	**234**

16 Pension and other post-retirement benefit commitments

Defined contribution

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

Total amount recognised as an expense for both the defined contribution scheme and the defined contribution stakeholder scheme were £72,235 (2020: £55,576); of which £6,724 was outstanding at the balance sheet date (2020: £6,045).

17 Share capital

	2021 £'000	2020 £'000
Allotted, called up, authorised and fully paid		
100 Ordinary Shares at £1 each	-	-
81,243 Non-cumulative redeemable preferences shares of £1 each	81	81
Total share capital	**81**	**81**

The Company has two classes of ordinary shares, all with equal voting rights however none of which carries a right to fixed income.

The non-cumulative redeemable preference shares are only redeemable at the Company's option and there is no fixed redemption date. No preference shares shall be redeemed unless out of distributable profits or the proceeds of a fresh issue of shares made for the purpose of redemption but any premium payable on redemption shall be paid either out of distributable profits or, to the extent permitted by law, out of the share premium account of the Company.

18 Reserves

Share based payment reserve

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

19 Contingent liabilities

The Company is party to a bank overdraft and revolving credit facility totalling £90m (2020: £100m) which are secured by cross guarantees from this company and a number of the Company's fellow subsidiaries and the Company's parent company. The original £100m facility, which was due to expire in May 2022, was replaced in February 2021 by a new £90m facility which expires in May 2024. As at 31 December 2021, the amount drawn under these facilities was £nil (2020: £13.0m) and there was a £nil overdraft (2020: £nil).

20 Immediate and ultimate parent undertaking

The Company's immediate parent undertaking is Vitalhandy Enterprises Limited, a Company registered in England.

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