Company Registration No. 05377981 (England and Wales)

MARSH & PARSONS LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

MARSH & PARSONS LIMITED
COMPANY INFORMATION

Directors	M Baulk A Castleton H Buck P Littlemore R Edgington
Secretary	S Bedi Fitzgerald
Company number	05377981
Registered office	80 Hammersmith Road London W14 8UD
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

MARSH & PARSONS LIMITED
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MARSH & PARSONS LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Review of the business

The Company made an operating profit of £2,627,000 against an operating profit in 2020 of £2,856,000. The Company's key financial and other performance indicators during the year were as follows:

	2021	2020	Change %
Revenue (£'000)	33,418	28,060	+19%
Operating Profit (£'000)	2,627	2,856	-8%
Operating Profit Margin (%)	7.9%	10.2%	-23%
Number of operating sites	32	30	+7%
EBITDA	6,415	6,727	-5%

The Directors estimate that Residential Sales volumes in the overall London market increased by between 25% and 30% in 2021 compared to the previous year. The Lettings market was however more challenged, with ongoing disruption caused by the Covid-19 pandemic restricting international and corporate relocation, along with declining stock volumes as the number of landlords looking to let property in London reduced.

Given these market conditions, the Company delivered a resilient top line performance with revenue up by 19% in 2021 to £33.4m (2020: £28.1m).

Residential Sales income grew by 43% in 2021 which represents a very strong performance in light of the market conditions set out above. Transaction volumes were buoyed by the Stamp Duty holiday introduced by the Government, and results was further strengthened by improved performance within the business.

We are pleased with the Lettings performance, reporting an increase in income of 7%. As outlined above, the market was adversely impacted by a number of external factors which created a challenging operating environment. Lettings revenue now represents 55% of the Company's total revenue (2020: 61%).

The Directors are pleased with the Operating Profit performance in the year despite reporting a small decrease against 2020, finishing at £2.6m, a decrease of 8% against the previous year (2019: £2.9m). A range of government support initiatives were utilised in the previous year which had a significant impact on the operating cost base of the business which naturally were not available during 2021. This saw costs return to more normalised levels and offset the increase in revenue during the period.

EBITDA has declined 5% against 2020 to £6.4m (2020: £6.7m). The change in EBITDA during the period is consistent with the change seen in Operating Profit with no other significant drivers of change.

The Company continued its office expansion strategy in 2021 with the opening in two additional locations, Kennington and Acton. Both locations have traded in line with expectations during the period.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are as follows:-

- The volume of house sales and the Company's revenue and profitability could be adversely affected by the following external factors: the housing market; customer behaviour; competition from other estate agents and changes in legislation.

- The Company's results could also be affected by the following internal factors: failure to recruit or retain key staff; failure of information systems; failure to comply with relevant legislation

s172 Report
As directors we have taken decisions to promote the long-term success of the Company for the benefit of its members. To ensure that the requirements of s172 Companies Act 2006 are met, the interests of our stakeholder groups are considered through a combination of the following:

- Specific agenda points and papers presented at each board meeting;
- Regular communication with all employees on various topics such as operational matters or health & safety;
- Regular engagement with our external stakeholders, including, but not limited to, suppliers and customers;
- Consideration of the impact of the Company's operations on the community and the environment, and how this can be improved.

The directors of the Company operate the Company in line with the objectives of the ultimate parent, LSL Property Services plc, including with regard to stakeholder engagement. Further details of how the directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 and a detailed directors' statement required under section 414CZA of that Act, are available in the consolidated financial statements of LSL Property Services plc.

Future developments
Our ambition remains to expand our office footprint in outer prime Central London locations, which have not been as negatively impacted by changed market conditions as prime Central London. We will continue the successful development of our lettings income stream and to assess opportunities along the value chain, both of which strengthen the ability of the Company to trade successfully through any market downturn. The directors continue to manage closely the costs of the business and the fees charged for property sales and lettings.

DocuSigned by:
Patrick Littlemore
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P Littlemore,
Director

18th August 2022

MARSH & PARSONS LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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 £5,9993,000 (2020: £7,102,000). The company has made a profit for the year and is in a net current liabilities position of £2,259,000 (2020: £2,145,000).

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 18August 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.

Results and dividends

The results for the year are set out on page 7.

The profit for the year, after taxation, amounted to £1,323,000 (2020 Profit: £1,503,000).

Operating Profit includes nil of amounts receivable relating to the Coronavirus Job Retention Scheme (2020: £1,119,000).

During the year the Company paid £2,500,000 dividend (2020: £4,000,000).

Directors

The following directors have held office during 2021:

M Baulk
H Buck
A Castleton
P Littlemore
R Edgington

Political donations

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

Employee involvement

The company recognises the great importance of the contribution of all employees and aims to keep them informed of matters affecting them as employees and developments within the company. The company meets on a monthly basis and sends out a monthly newsletter. Employees are communicated with via internal media and weekly management meetings and they are encouraged to present their suggestions and views on the company's performance allowing a free flow of ideas and suggestions.

Disabled persons

Applications for employment by disabled persons are always fully and fairly considered, taking into account the aptitudes and abilities of the applicant concerned. Where employees become disabled the Company endeavors to continue to employ them and to arrange appropriate training, provided there are duties which they can perform, bearing in mind the handicap or disability. It is the policy of the Company that training, career development and promotion of disabled employees should, as far as possible, be identical to that of other employees.

Financial instruments

Liquidity risk

The ultimate parent company's Treasury Department manages the liquidity risk in the group, in which they monitor the company's cash flow position to prevent a 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. For those customers using the Company's services as part of a house sale transaction, the debt is generally 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. The majority of debt owed by lettings customers, landlords, is deducted from the rent collected by the Company from tenants before it is transferred to the landlord.

Independent auditors

LSL Property Services plc is the ultimate parent company. Resolution concerning a reappointment of the auditors, Ernst & Young LLP, will be proposed at the Annual General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice, including FRS 101 Reduced Disclosure Framework (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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:

Patrick Littlemore

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P Littlemore

Director

18th August 2022

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MARSH & PARSONS LIMITED

Opinion

We have audited the financial statements of Marsh & Parsons Limited for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and the related notes 1 to 24, 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" (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 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 rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101) and the Companies Act, 2006.
- We understood how Marsh & Parsons Limited is complying with those frameworks by 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 documents, making enquiries 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 the controls put in place by management to reduce the risk of occurrence of fraudulent transactions.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the results of enquiry with management, our understanding of the Company and the policies and procedures in place to address fraud risks.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiry of management, review of board minutes, review of internal audit reports and review of higher risk journal entries.

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

MARSH & PARSONS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Revenue	3	33,418	28,060
Administrative expenses		(30,791)	(25,204)
Operating profit	4	2,627	2,856
Finance Income	8	9	9
Finance cost	8	(820)	(819)
Profit before tax		1,816	2,046
Income tax expense	9	(493)	(543)
Profit for the year		1,312	1,503

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

Statement of Other Comprehensive Income

There are no other items of comprehensive income in the current or proceeding period.

MARSH & PARSONS LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	10	1,371	1,426
Property, plant and equipment	11	17,942	20,460
Financial assets	13	243	268
Deferred tax assets	9	184	82
		19,740	22,236
Current assets			
Trade and other receivables	15	5,456	7,518
Cash and cash equivalents		2,834	3,493
		8,290	11,011
Total assets		28,030	33,247
Current liabilities			
Trade and other payables	16	(6,866)	(9,205)
Financial liabilities	17	(3,683)	(3,951)
		(10,549)	(13,156)
Non-current liabilities			
Financial liabilities	17	(11,488)	(12,989)
		(11,488)	(12,989)
Total liabilities		(22,037)	(26,145)
Net assets		5,993	7,102
Shareholders' equity			
Share capital	19	1	1
Share based payment reserve	21	95	27
Share premium account	21	1,278	1,278
Retained earnings		4,619	5,796
Total shareholder's equity		5,993	7,102

Approved by the Board and authorised for issue on 17th August 2022

DocuSigned by:
Patrick Littlemore
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P Littlemore
Director
18th August 2022

Company Registration No. 05377981

MARSH & PARSONS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Share based payment reserve £'000	Share premium account £'000	Retained earnings £'000	Total shareholders' equity £'000
At 1 January 2020	1	9	1,278	8,293	9,581
Profit for the year	-	-	-	1,503	1,503
Total comprehensive income for the year	-	-	-	1,503	1,503
Share-based payments transactions	-	18	-	-	18
Dividend payment	-	-	-	(4,000)	(4,000)
At 31 December 2020	**1**	**27**	**1,278**	**5,796**	**7,102**
Profit for the year	-	-	-	1,323	1,323
Total comprehensive income for the year	-	-	-	1,323	1,323
Share-based payments transactions	-	68	-	-	68
Dividend payment	-	-	-	(2,500)	(2,500)
At 31 December 2021	**1**	**95**	**1,278**	**4,619**	**5,993**

MARSH & PARSONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1 Corporate information

Marsh & Parsons Limited is a private company limited by share capital incorporated and domiciled in England and Wales.

The financial statements of the Company for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the board directors on 17th August 2022 and the balance sheet was signed on the board's behalf by Patrick Littlemore 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 IFRS 7 Financial Instruments: Disclosures;

(b) 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;

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

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

(e) the requirement of paragraph 17 of IAS24 Related Party Disclosures

(f) the requirements in IAS24 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;

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

(h) 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 £5,993,000 (2020: £7,102,000). The company has made a profit for the year and is in a net current liabilities position of £2,259,000 (2020: £2,145,000).

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.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under FRS 101, which adopts the principles of 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. Had the company amortised this goodwill, a period of 10 years would have been chosen as the useful life and the amortisation charge would have been £317,000 (2020: £317,000).

Other 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 Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets (unless such lives are indefinite) as follows:

Lettings contracts	Over five years
IT software licenses	Over three to four years

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 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.

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:

MARSH & PARSONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2 Accounting policies (continued)

2.2 *Significant accounting policies (continued)*

Leasehold improvements	Over ten years
Leasehold premises	Over the period of the lease
IT Equipment	Over three to four years
Office equipment	Over seven years
Leasehold Motor Vehicles	Over the period of the lease

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.

MARSH & PARSONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2 Accounting policies (continued)

2.2 Significant accounting policies (continued)

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

Revenue from mortgage procuration fees is recognised by reference to the completion date of the mortgage/re-mortgage on the housing transaction. Revenue from policy sales is recognised at point in time by reference to the date that the policy is accepted by the insurer. The lapse provision is recognised as a reduction in revenue which is based on historic lapses which have occurred. Lapse provisions are recorded within trade and other payables.

Rental Income

Rental income including the effect of lease incentives from sub-let properties is recognised either at a point in time on a straight line basis over the lease term for operating leases or by recognising in the balance sheet a lease receivable equal to the investment in the lease for finance leases. Sub-leases are assessed as finance leases or operating leases in reference to the right of use asset the lease generates.

Interest income

Revenue is recognised as interest accrues (using the effective interest method - that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Pensions

The Company operates a money purchase 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.

2 Accounting policies (continued)

2.2 Significant accounting policies (continued)

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

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

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the 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.

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 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 operating costs, in the same period as the related costs and when there is reasonable assurance that the grant will be received.

Operating Profit includes nil (2020: £1,119,000) of amounts receivable relating to the Coronavirus Job Retention Scheme.

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.

3 Revenue

Set out below is the disaggregation of the Company's revenue from contracts with customers. All of the revenue of the company for the year has been derived from its principal activity, wholly undertaken in the United Kingdom.

				2021
Timing of revenue recognition	**Revenue from services £'000**	**Rental income £'000**	**Interest income £'000**	**Total £'000**
Services transferred at a point in time	33,351	22	45	33,418
Services transferred over time	-	-	-	-
Total revenue from contracts with customers	**33,351**	**22**	**45**	**33,418**

				2020
Timing of revenue recognition	**Revenue from services £'000**	**Rental income £'000**	**Interest income £'000**	**Total £'000**
Services transferred at a point in time	27,950	-	110	28,060
Services transferred over time	-	-	-	-
Total revenue from contracts with customers	**27,950**	**-**	**110**	**28,060**

4 Operating profit

	2021 £'000	**2020 £'000**
Operating profit is stated after charging:		
Amortisation of intangible assets	91	113
Depreciation of tangible assets	3,695	3,758
Loss on disposal of owned tangible assets	-	-
Operating lease rentals		
- Short term lease	432	83
- Low value lease	21	18
- Loss on disposal of leased tangible assets	1	-

5 Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements:

	2021 £'000	**2020 £'000**
Fees payable to the company's auditor for the audit of the company's financial statements	21	18

Fees for non-audit work is disclosed within the LSL Property services plc Group accounts.

6 Employees

Number of employees

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

	2021 No.	2020 No.
Estate agency and related services	313	280
Administration	29	28
Total	342	308

Staff costs including director's remuneration, were as follows:

	2021 £'000	2020 £'000
Wages and salaries	10,332	8,488
Social security costs	1,851	1,516
Other pension costs (Note 18)	251	210
Commissions	6,613	4,910
Cost of share option scheme	61	18
Total	19,108	15,142

7 Directors' remuneration

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

The directors received total remuneration for the year of £3,058,605 (2020: £1,384,951), of which £718,473 (2020: £518,511) was paid by this company including pension costs of £8,711 (2020: £7,912). 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 parent and fellow subsidiary companies.

The Company offers a money purchase pension scheme in line with government legislation whereby 3% of banded earnings is paid by the Company as a pension contribution for all qualifying employees, including directors. The ultimate parent 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 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 number of directors who exercised share options during the year was 2 (2020: nil).

8 Finance income and cost

	2021 £'000	2020 £'000
Finance income:		
Unwinding of discount on financial asset	9	9
Finance cost:		
Unwinding of discount on financial asset	820	798
Other Interest	-	21
Total	820	819

9 Taxation

	2021 £'000	2020 £'000
Current income tax:		
UK corporation tax charge on profit for the year	505	538
Amounts payable for group relief		
Adjustments in respect of prior periods	83	(7)
Total current income tax	588	531
Deferred tax:		
Origination and reversal of temporary differences	(20)	(10)
Impact of changes in tax rates	(42)	(7)
Adjustments in respect of prior periods	(33)	29
Total deferred tax	(95)	12
Tax expense for the year	493	543

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	1,816	2,046
Tax calculated at UK standard rate of corporation tax of 19.00% (2020: 19.00%)	345	389
Expenses not deductible for tax purposes	136	141
Share scheme movements	4	(1)
Transfer pricing	-	-
Adjustments to tax charge in respect of previous periods	50	22
Change in tax laws and rate	(42)	(8)
Total tax expense for the year	493	543

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%.

	2021 £'000	2020 £'000
At the beginning of the year	82	93
Profit movement for the year	95	(11)
Recognised through reserves	7	-
Deferred tax asset	82	82

	2021 £'000	2020 £'000
Deferred tax balance is made up as follows:		
Decelerated capital allowances	153	79
Short-term timing differences	31	3
Deferred tax asset	184	82

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.

10 Intangible assets

	Goodwill £'000	Customer contracts £'000	Other intangibles £'000	Total £'000
Cost:				
At 1 January 2021	3,166	177	1,080	4,423
Additions	-	(177)	36	(141)
At 31 December 2021	3,166	-	1,116	4,282
Amortisation:				
At 1 January 2021	2,199	177	621	2,997
Charge for the year	-	(177)	91	(86)
At 31 December 2021	2,199	-	712	2,911
Net book value:				
At 31 December 2021	967	-	404	1,371
At 31 December 2020	967	-	459	1,426

Goodwill acquired through business combinations has been allocated to the Marsh & Parsons cash-generating unit (CGU). 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: 11.70%). Cash flows beyond the three year plan are extrapolated using a 2.0% growth rate (2020: 2.0%). Management is satisfied that the outcome of the impairment test demonstrates that no provision for impairment was necessary.

11 Property, plant and equipment

	Land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Computer equipment £'000	Office equipment £'000	Total £'000
Cost:						
At 1 January 2021	21,331	9,034	1,636	1,699	1,306	35,006
Additions	-	472	612	82	12	1,178
Disposals	(671)	-	(393)	-	(11)	(1,075)
At 31 December 2021	20,660	9,506	1,855	1,781	1,307	35,109
Depreciation:						
At 1 January 2021	5,149	5,850	829	1,549	1,169	14,546
Charge for the year	2,235	758	560	91	51	3,695
Disposals	(671)	-	(392)	-	(11)	(1,074)
At 31 December 2021	6,713	6,608	997	1,640	1,209	17,167
Net book value:						
At 31 December 2021	13,947	2,898	858	141	98	17,942
At 31 December 2020	16,182	3,184	807	150	137	20,460
Owned assets	426	2,898	-	141	98	3,563
Leased assets	13,521	-	858	-	-	14,379
At 31 December 2021	13,947	2,898	858	141	98	17,942

12 Leases

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

Right of use assets:		**2021**			**2020**	
	Land and buildings	**Motor vehicles**	**Total**	**Land and buildings**	**Motor vehicles**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January	15,685	807	16,492	16,426	980	17,406
Additions	-	612	612	1,544	361	1,905
Disposals	(159)	(393)	(552)	(396)	(139)	(535)
Net depreciation	(2,005)	(168)	(2,173)	(1,889)	(395)	(2,284)
At 31 December	13,521	858	14,379	15,685	807	16,492

These are included in the carrying amounts of PPE on the face of the balance sheet, and have been included in Note 11 Fixed assets.

Lease receivable:	**2021**	**2020**
	£'000	**£'000**
At 1 January	268	294
Interest income	9	9
Receipts	(34)	(35)
At 31 December	243	268

The lease assets are disclosed on the Balance Sheet and in Note 13 as Financial assets.

Lease liabilities:	**2021**	**2020**
	£'000	**£'000**
At 1 January	16,940	17,555
Additions	612	1,905
Interest expense	821	798
Disposals	-	(44)
Repayment of lease liabilities (including interest)	(3,202)	(3,274)
At 31 December	15,171	16,940

Maturity of these lease liabilities is analysed as follows:

		2021			**2020**	
	Land and buildings	**Motor vehicles**	**Total**	**Land and buildings**	**Motor vehicles**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Current lease liabilities	3,113	570	3,683	3,448	503	3,951
Non-current lease liabilities	11,157	331	11,488	12,676	313	12,989
Total lease liabilities	14,270	901	15,171	16,124	816	16,940

The lease liabilities are disclosed on the Balance Sheet and in Note 17 as Financial liabilities.

12 Leases (continued)

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

	2021 £'000	2020 £'000
Depreciation of right of use assets:		
- Land and buildings	2,163	2,297
- Motor vehicles	560	497
Short-term and low value lease expense	432	101
Sub-lease income	(9)	(9)
Charge to operating profit	3,146	2,886
Interest expense related to lease liabilities	821	798
Interest income related to sublease	(9)	(9)
Charge to profit before taxation	812	789

13 Financial assets

	2021 £'000	2020 £'000
Lease receivables	243	268

14 Investments

The company has investments in the following companies. The investments are held at nil value.

Company	Share class	% held	Domicile	Registered office address:
Beldhamland Limited	Ordinary A Ordinary B	100 100	England & Wales	80 Hammersmith Rd London W14 8UD
Clea Limited	Ordinary	1	England & Wales	6th Floor 25 Farringdon Street, London, EC4A 4AB
Marshcroft Properties Limited	Ordinary	100	England & Wales	80 Hammersmith Rd London W14 8UD
Vanstons Limited	Ordinary	100	England & Wales	80 Hammersmith Rd London W14 8UD
Vanstons (Barnes) Limited	Ordinary	100	England & Wales	80 Hammersmith Rd London W14 8UD
Vanstons Commercial Limited	Ordinary	100	England & Wales	80 Hammersmith Rd London W14 8UD
Vanstons Lettings Limited	Ordinary	100	England & Wales	80 Hammersmith Rd London W14 8UD

All of the above investments are held directly by the Company.

15 Trade and other receivables

	2021 £'000	2020 £'000
Due within one year		
Trade receivables	1,690	1,959
Less expected credit loss	(225)	(314)
Net trade receivables	1,465	1,645
Amounts owed by parent and fellow subsidiary undertakings	6	2,511
Prepayments and accrued income	3,935	3,293
Other receivables	50	69
	5,456	7,518

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	1,690	1,250	103	55	22	55	205
2020	1,959	1,351	191	50	38	28	301

16 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	768	1,626
Amounts owed to fellow subsidiary undertakings	122	7
Corporation Tax	1,127	939
Taxes and social security costs	1,276	2,750
Other payables	88	116
Accruals and deferred income	3,485	3,767
	6,866	9,205

17 Financial liability

	2021 £'000	2020 £'000
Current liability:		
Lease liability	3,683	3,951
Non-current liability:		
Lease liability	11,488	12,989
Total Financial liability	15,171	16,940

18 Pension and other post-retirement benefit commitments

The Company operates Money Purchase Pension schemes for all of its directors and all qualifying employees. The assets of the schemes are held separately from those of the Company in independently administered funds.

The company's contribution is currently 3% of banded earnings for all directors and all qualifying employees, who have not chosen to opt out.

Total amount recognised as an expense was £251,395 (2020: £210,048).

19 Share capital

	2021 £'000	2020 £'000
Authorised		
100,000,000 Ordinary shares of £0.00001 each	1	1
Allotted, called up and fully paid		
100,000,000 Ordinary shares of £0.00001 each	1	1

20 Dividends paid and proposed

During the year the following dividends were paid:

	2021 £'000	2020 £'000
Dividends paid	2,500	4,000
	2,500	**4,000**

21 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.

Share premium reserve
The share premium reserve is used to record the premium arising from issues of share capital.

22 Contingent liabilities

The Company is party to a bank overdraft and revolving credit facility totaling £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).

23 Immediate and ultimate parent undertaking

The Company's immediate parent undertaking is Marsh & Parsons (Holdings) 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.

24 Related party relationships and transactions

During the year the Company provided a working capital facility at nil interest and repayable on demand for LSL Property Services plc, the ultimate parent company. The balance outstanding on 31st December 2021 was nil (2020: £2,500,000).

The Company has taken advantage of the exemption from disclosing transactions with entities where 100% of their voting rights are controlled within the LSL Property Services plc group of companies.