

LSL

Annual Report and Accounts 2022



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Annual Report and Accounts 2022

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

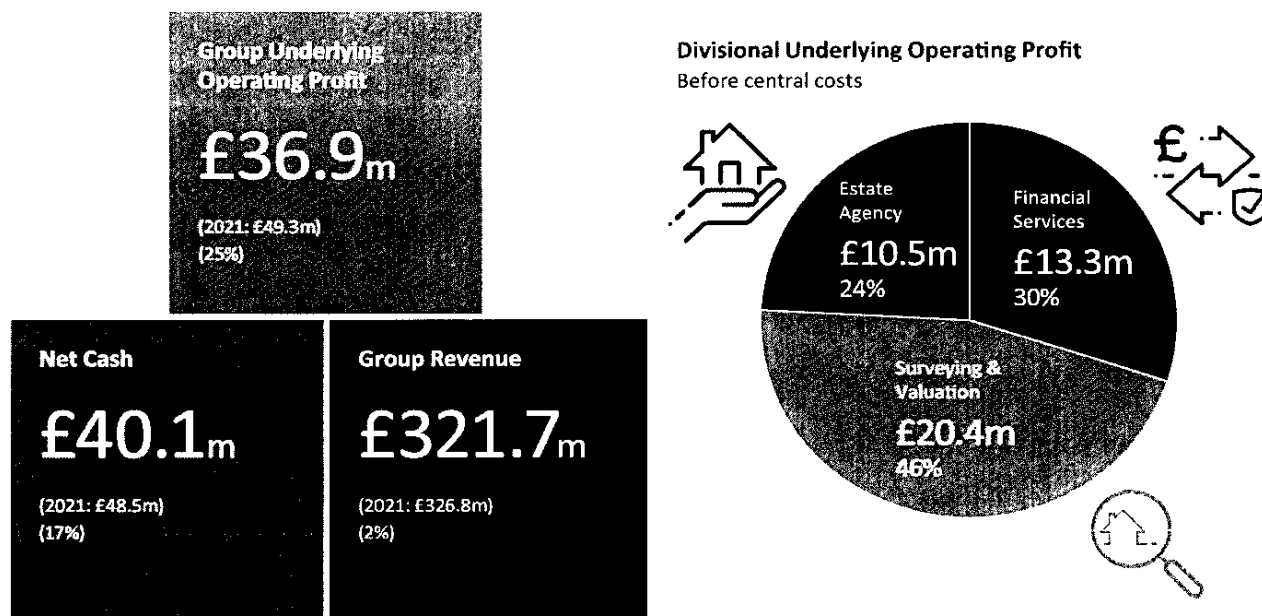
For further information about our Group, please visit our website: lsps.co.uk.

Forward looking statements

This Report may contain forward looking statements with respect to certain plans and current goals and expectations relating to the future financial condition, business performance and results of LSL. Further information about forward looking statements can be found in the Shareholder Information section on page 183.

2022 Highlights

In 2022, the Group traded well in challenging market conditions, whilst making substantial progress in the execution of our strategy to grow and to become a B2B financial services provider



	2022	2021	Var
Group Revenue (£m)	321.7	326.8	(2)%
Group Underlying Operating Profit ¹ (£m)	36.9	49.3	(25)%
Group Underlying Operating margin (%)	11%	15%	(370)bps
Exceptional gains (£m)	0.7	31.1	(98)%
Exceptional costs (£m)	(88.9)	(2.0)	nm
Group operating (loss)/profit (£m)	(56.7)	72.6	(178)%
(Loss)/Profit before tax (£m)	(59.1)	69.9	(185)%
Basic Earnings per Share ² (pence)	(62.3)	59.6	(205)%
Adjusted Basic Earnings per Share ² (pence)	28.4	37.7	(25)%
Net Cash ³ at 31 December (£m)	40.1	48.5	(17)%
Final proposed dividend (pence)	7.4	7.4	—
Full year dividend (pence)	11.4	11.4	—

nm: not meaningful

Notes:

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

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

³ Refer to note 35 to the Financial Statements for the calculation.

2023 Outlook

- We expect market conditions to remain challenging during H1 but to improve in H2 and thereafter, supported by a strong remortgage market, and further improvements in consumer confidence and transaction levels assisted by recent reductions in mortgage rates
- Trading in our Financial Services Network and Estate Agency businesses is in line with expectations, with signs of increasing momentum.
- In Surveying & Valuation, valuations in more specialist areas such as equity release and buy-to-let have recovered less quickly after the rise in interest rates and market disruption which followed the 2022 mini-budget, with these sectors still trending significantly below 2022.
- We will manage costs pro-actively as market conditions evolve.
- Planned investment for the longer term will continue, underpinning confidence for the future.
- LSL remains very well-placed to benefit as market conditions improve.

About LSL and Our Markets

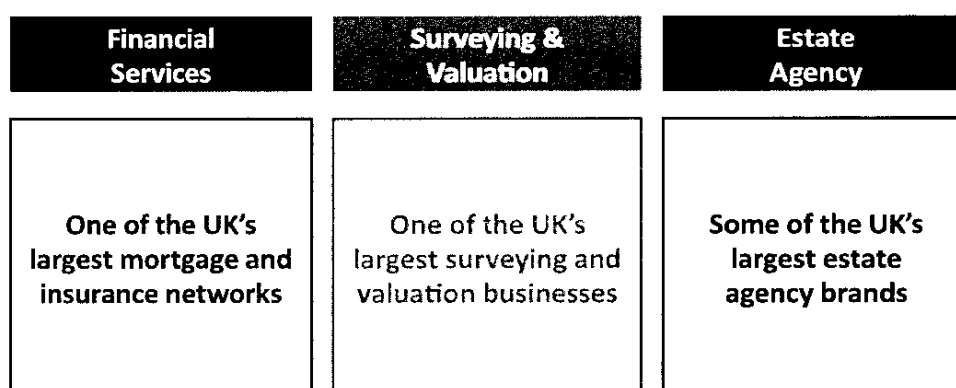
About LSL

Unless stated otherwise, information in this section of the Report is as at 31 December 2022.

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

We have three Divisions:

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



Financial Services

One of the UK's largest mortgage and insurance networks

Together, the PRIMIS Network and The Mortgage Alliance (TMA) made up one of the UK's largest mortgage and insurance networks. PRIMIS, with 993 firms and 2,867 financial advisers, is a multi-award winner, winning Best Network, 300+ Appointed Representatives at the 2022 Mortgage Strategy Awards. Furthermore over 700 firms used TMA in 2022.

Pivotal Growth

Following the 2022 year end, we have sold our D2C broker businesses to Pivotal Growth, our buy and build joint venture with Pollen Street Capital. Since its creation in 2021, Pivotal Growth has acquired eight businesses, comprising of around 330 advisers including the Group First, RSC, Embrace Financial Services and F2P businesses sold by us to Pivotal Growth in 2023.

Surveying & Valuation

Our Surveying & Valuation Division includes e.surv, one of the UK's largest surveying and valuation businesses, and Walker Fraser Steele Chartered Surveyors, which services the Scottish market. e.surv is one of the UK's biggest employers of Royal Institution of Chartered Surveyors (RICS) registered surveyors, with 512 (FTE) surveyors, and counts seven of the UK's ten largest lenders amongst its clients. It was named Best Surveying Firm at the 2022 Mortgage Finance Gazette Awards and Best Surveyor at the 2022 Equity Release Awards with Mortgage Solutions.

Since 1 April 2023, the Division also includes our asset management business, LSL Corporate Client Department and Templeton LPA, which were previously included in the Estate Agency Division.

Estate Agency

We own two of the UK's largest estate agency brands, Your Move and Reeds Rains, as well as a network of smaller brands operating under the LSLi umbrella in the South East. Together, as at 12 April 2023, we own 182 estate agency branches and we have 127 franchised branches. During 2022, the Division also included Marsh & Parsons, a London estate agency business which was sold in January 2023.

We also have other specialist businesses within our Estate Agency Division:

- LSL Land & New Homes provides a complete range of services for house builders and residential property investors.
- Homefast Property Services provides conveyancing panel management and support services to customers of our Estate Agency branches.

About LSL and Our Markets

Our Markets

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

Mortgage Market

Both demand for mortgages and advice from financial advisers remained strong in 2022²:

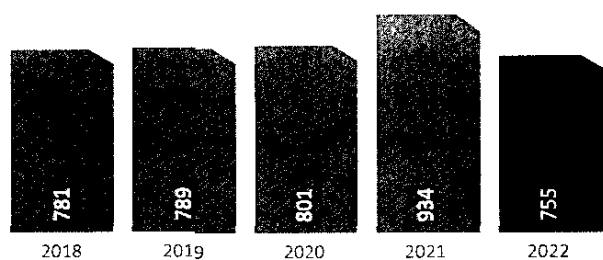
- Total gross mortgage lending¹ in 2022 was £314bn, 2% higher than the prior year (2021: £308bn) with a shift towards refinancing, and purchase mortgages accounted for only 61% of total lending (2021: 69%).
- The proportion of mortgage lending placed through financial advisers² increased to 81% in 2022 (2021: 77%).
- Total mortgage approvals for house purchases³ were down 19% to 755,000 in 2022, with demand softening in H2 due to affordability issues.
- Remortgage (and other)³ approvals were up 12% on 2021, while remortgage and other lending was 27% ahead as consumers sought security in an uncertain market.

Housing Market

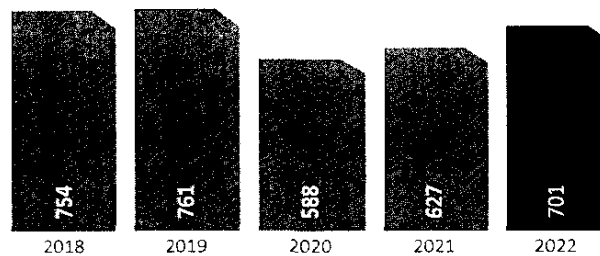
2022 was a smaller housing market after one of the strongest years on record for the UK residential property market in 2021, which was materially impacted by the Government scheme waiving stamp duty:

- UK housing transactions⁴ in 2022 were 1,260,000, down 15% year-on-year (2021: 1,480,000).
- Transactions⁴ were down 28% in H1 2022 and 2% up year-on-year in H2 2022.
- At the end of 2022, average house prices in England and Wales⁵ were 8% higher than the same period last year.

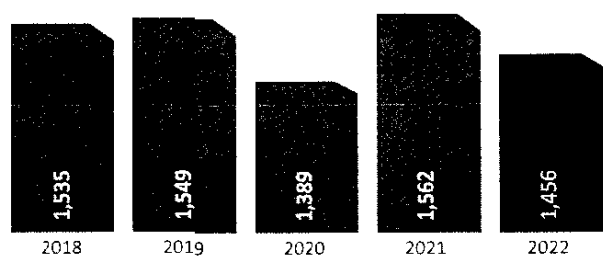
Total Mortgage Approvals for House Purchase
'000s



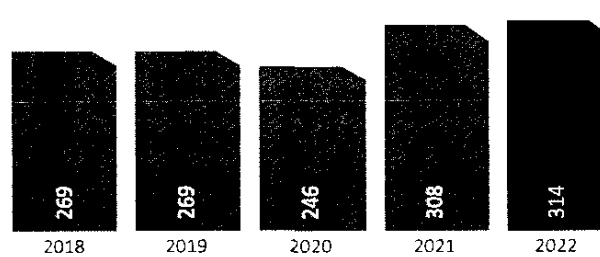
Remortgage (and other) Volumes
'000s



Total Mortgage Approvals
'000s



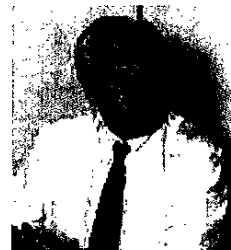
Total Gross Mortgage Lending
£bn



Sources:

- ¹ New mortgage lending by purpose of loan, UK (Bank of England) – Table MM23 (3 March 2023).
- ² New residential lending sold direct and via intermediaries (excluding product transfers), UK Finance – Table RL8 (16 February 2023).
- ³ Approvals for lending secured on dwellings, Bank of England – Table A5.4 (1 March 2023).
- ⁴ Number of residential property transaction completions with value £40,000 or above, HMRC (21 February 2023).
- ⁵ House price index, England and Wales, LSL Acadata (December 2023).

Chair's Statement



I'm pleased to present our Annual Report and Accounts for 2022. In this Report you will find an in-depth review of the Group's financial performance together with details of the progress we have made taking forward our strategy. I'm delighted to say we can report positive developments on both fronts.

Market background

There is no question that this is a challenging time for the UK economy and in particular for many of the markets in which we operate. This is particularly true in the aftermath of the Government's October mini-budget and the attendant uncertainty that followed. One outcome from the rapid rise in mortgage and interest rates being that in Q4 2022 we experienced a short term reduction of up to 50% in activity rates across the Group, with Surveying & Valuation being impacted in particular.

Financial highlights

Our performance was very resilient given these market conditions, with each of our three Divisions trading well and gaining market share. This strong trading contributed to a full year Group Underlying Operating Profit of £36.9m and helped build an end of year Net Cash balance of £40.1m, which was boosted further by the disposal of Marsh & Parsons in February 2023. This strong position indicates the cash-generative nature of our business and will allow us to continue to invest with confidence in our growth strategy.

On a statutory basis, Group operating loss was £56.7m which reflects an exceptional impairment charge of £87.2m for goodwill and other intangible assets.

Significant strategic progress made to simplify the Group and focus on B2B services

In 2021 we launched our joint venture with Pollen Street Capital, Pivotal Growth, to buy and build a leading national mortgage broker business. Since its inception, Pivotal Growth has acquired eight businesses, including in January 2023, our new build broker businesses, RSC and Group First and in April 2023, Embrace Financial Services and F2P, our other two D2C broker businesses. These disposals are in line with our strategy to simplify the Group and focus on developing further our leading Financial Services

Network business. We also believe that Pivotal Growth is better placed to increase the value of the acquired businesses as they support Pivotal Growth's strategy to become a leading player in the new build and D2C sectors.

We also disposed of Marsh & Parsons in January 2023, a leading high end London estate agent which has since its acquisition in 2011, operated autonomously from other parts of our Estate Agency Division.

Dividend

As at the date of this Report we have also built up significant Net Cash balances and we have successfully restated and extended our banking facility, which is now for £60m and will expire in May 2026. With these in place, we have considered paying a dividend in line with the Group's existing policy to pay out 30% of Group Underlying Operating Profit after finance and normalised tax charges. This policy is designed to provide clarity to shareholders and ensure that the Group retains a strong balance sheet for all market conditions.

Despite economic conditions having an impact on current earnings, due to the significant progress made in executing our strategy, the Board believes that LSL is in good shape to trade profitably and is very well-placed to benefit as market conditions improve.

In light of this and in view of the Board's confidence about the future prospects of the Group, the Board is recommending a final dividend of 7.4 pence. This, if approved, will deliver a total dividend of 11.4 pence per share, unchanged from the previous year.

The ex-dividend date is 27 April 2023 with a record date of 28 April 2023 and a payment date of 2 June 2023. Shareholders can elect to reinvest their cash dividend and purchase additional shares in LSL through a dividend reinvestment plan. The election date is 11 May 2023.

Governance

The Board remains committed to strong corporate governance and in particular making sure we monitor and challenge our strategy, performance, risks and approach to managing our colleagues. You can read more about our corporate governance

arrangements in the Corporate Governance Report in this Report (page 54).

Subsidiary governance is also an important part of our strategy to grow our Financial Services business. To ensure we have the right governance arrangements to support growth and to respond to the introduction of new regulations, we have invested in the management bench strength of our Financial Services Management Team and strengthened our risk and compliance arrangements with the appointment of an independent Non Executive Chair to the PRIMIS Risk and Compliance Committee. John Lowe has been appointed into this role as he has significant experience in retail financial services businesses.

Whilst we committed last year to undertake an externally facilitated evaluation in 2022, we agreed to defer this exercise to allow my successor to join the Board before the exercise was undertaken. Instead, Gaby Appleton, Senior Independent Director, has once again led the evaluation process which has included an evaluation of my performance as Chair. Details of the exercise and recommendations are contained in the Corporate Governance Report in this Report (page 54).

Board changes

During the year, Sonya Ghobrial joined as an independent Non Executive Director and we have benefited from her experience, in particular in relation to ESG and investor relations matters. We also announced in June 2022 that Helen Buck, Executive Director – Estate Agency would retire from the Board in 2023. Helen has been on the Board since 2011 when she joined as an independent Non Executive Director. She moved into the role of Executive Director – Estate Agency in 2017 and in both of her roles she has made a significant contribution to the Board. On behalf of the Board, I wish to thank Helen for her contribution, especially her leadership in resizing our Estate Agency Division, and during the pandemic.

Following Helen's decision to retire, we commenced a search to appoint a new Managing Director for the Estate Agency Division. Earlier this month, we announced the appointment of Paul Hardy into this role. This is an internal promotion, and while

Paul will not be an Executive Director he has joined the Executive Committee and is a PDMR.

With my Board membership reaching nine years in January 2023, the Nominations Committee, led by Gaby Appleton, undertook an exercise to identify a new Chair. I did not participate in this process, and we announced on 3 April 2023 the appointment of David Barral as Chair Designate. David has joined the Board, the Nominations Committee and the Remuneration Committee. He will take over the roles of Chair of the Board and the Nominations Committee with effect from the close of the 2023 AGM, which is when I will retire from these roles. For further details relating to our succession planning process, including how we have sought to ensure our search supports diversity, see the Corporate Governance Report in this Report (page 54).

Nominations Committee

During 2022, I chaired the Nominations Committee, which met six times during the year. Our work included recommending to the Board the adoption of our Diversity Policy, which covers the Board, its Committees and the Senior Management Team and includes targets which align to the FCA's rules. All aspects of diversity are important to the Board, including gender, ethnicity, disability, social and cognitive.

ESG

Since launching our Living Responsibly strategy and programme in 2021, we have continued to progress our ESG priorities through this programme and we are also publishing our second Living Responsibly Report. This includes the significant work of

our colleague forums: Inclusion and Diversity, and Communities; and our Environmental Working Group, which have helped us to deliver on our social and environmental priorities. Our ESG and Living Responsibly Report provide progress updates under each of our five priorities:

- a. promoting inclusion and diversity on our Board and in our workforce;
- b. engaging, supporting and investing in our colleagues;
- c. supporting colleague priorities and connecting with our local communities;
- d. minimising our environmental footprint; and
- e. ensuring excellent governance.

Our priorities align with our purpose, culture and values which are detailed at the beginning of the Strategic Report in this Report (page 12). During 2023 we will continue to progress our priorities, especially to improve our data on colleague diversity to help us understand our colleague make-up. We are also seeking to understand the experiences of our colleagues' career progression through the Group so that we can improve diversity at senior levels within the workforce as a whole. We will also focus on improving the diversity of our workforce especially in areas and regions where we are under-represented when compared with the regional census data.

Colleagues

We are very much a people business, and the Board places a high priority on keeping in touch with our colleagues. In addition to the colleague forums that play an active role in our Living Responsibly programme, we

work closely with our Employee Engagement Forum, for example we consulted the forum ahead of making a cost of living payment of £500 to all colleagues earning less than £30,000.

Our people play a key part in our success and never more so than during difficult economic periods. On behalf of all the Board, I'd like to thank them for all their hard work and commitment.

Looking ahead

This is my last year as Chair, and although there are no doubt challenges ahead, I am clear that LSL is very well-positioned. We have a clear strategy, against which we have made substantial progress, and each of our core businesses are trading well. Our strong Net Cash position allows us to invest with confidence throughout the economic cycle and to take advantage of the significant growth opportunities we have identified. Importantly, I have been fortunate to work with a talented and committed Board and Management Team and I look forward to seeing LSL go from strength to strength in the future.

Bill Shannon

Chair
12 April 2023

Group Chief Executive Officer's Review



I am pleased to confirm that LSL remains in good shape and is well-positioned to grow once market conditions improve.

Although the mortgage and housing markets have been adversely impacted by economic and political uncertainty, the Group has continued to trade well and backed by a strong balance sheet, we expect to remain resilient throughout 2023 in what are anticipated to be difficult, but steadily improving, market conditions.

Furthermore, we have made very substantial progress in executing our Financial Services-led growth strategy, significantly reducing our exposure to housing market cycles. With a strong balance sheet, including Net Cash balances of £40.1m at the year end and a business model that remains highly cash-generative, LSL is well placed to benefit as soon as market conditions normalise.

Group Revenue was broadly in line with 2021 at £321.7m. This included record revenue of £81.7m in Financial Services, and a very strong H1 2022 performance in Surveying & Valuation, which was subsequently impacted by the significant and unexpected market disruption resulting from economic and political uncertainty in Q4 2022.

Group Underlying Operating Profit was down 25% compared to 2021 at £36.9m, which is mostly attributable to reduced volumes in Surveying & Valuation during Q4 2022 and the impact of a slowdown in the residential sales market in Estate Agency. On a statutory basis, the Group operating loss was £56.7m, after the Board reduced the carrying value of goodwill by £87.2m. This is a non-cash item reflecting the impact of more conservative mid-term housing assumptions, higher discount rates and the disposal of non-core businesses, including Marsh & Parsons. In 2021, the Group reported a statutory operating profit of £72.6m, which was boosted by a £29.4m gain on the disposal of interests in joint ventures, which was also part of our strategy to exit from non-core businesses.

In Financial Services, the Underlying Operating Profit of our Network business was £15.5m, ahead of the record result in 2021 (£14.4m). Although member firms were naturally cautious about adviser numbers in H2, there was also modest further year-on-year growth in the number

of advisers, bringing the year end total to 2,867. In addition, more than 700 other firms submitted business through LSL's mortgage club, further boosting our market share.

The Financial Services Division as a whole secured an 11% increase in overall lending, well ahead of the whole market which had only modest growth of 1.9%. This resulted in a substantial market share improvement to 10.4% from 9.6% in 2021.

Underlying Operating Profit for the Financial Services Division as a whole reduced by £1.5m, as the Group's D2C advice businesses were impacted by lower levels of activity in the new build market in particular, and the house purchase market in general. Our D2C financial services businesses were transferred during the early part of 2023 to our joint venture with Pollen Street Capital, Pivotal Growth, in line with LSL's strategy to focus its activities on B2B services. We believe Pivotal Growth, in which the Group has a 48% equity share, is better placed to take these businesses forward for the benefit of our shareholders.

Surveying & Valuation traded very strongly through to the end of Q3 2022, capitalising on recent contract wins and increased allocations as well as further growth of 73% in D2C and data revenues. Its excellent performance was interrupted by the market-wide hiatus in mortgage activity in October and November, as lenders remained cautious whilst the political and economic impact of the events that followed September's mini-budget became clearer. This is estimated to have directly reduced H2 Underlying Operating Profit in the Surveying & Valuation Division by at least £5m.

Nevertheless, the Surveying & Valuation Division still reported Underlying Operating Profit of £20.4m, down £3.2m on 2021, but still £4.1m or 25% higher than the pre-COVID-19 performance of £16.3m reported in 2019. Despite the market pressure, the Underlying Operating Profit margin remained resilient at 22%. Income per job increased slightly to £175, £2 up on 2021.

Estate Agency revenues were down 5% on 2021, when performance was boosted substantially by the extension of the stamp duty holiday. H2 2022 improved materially year-on-year on the back of the pipeline built up in H1. Lettings revenue was resilient and

increased by 4%, on a like-for-like basis, over the prior year.

Estate Agency retained the residential sales market share gains made in its core catchment areas in 2021, and as a result slightly increased its national market share² to 1.30% (2021: 1.28%). Conversion of its exchange pipeline remained slow throughout the year, impacting H1 performance in particular. H2 2022 saw fewer new properties coming to market and fewer sales agreed but the strong pipeline built in H1 secured an operating profit double the size of H2 2021. Unsurprisingly, given increased economic and housing market uncertainty, there was a trend towards more fall-throughs, largely affecting more recently agreed sales, both of which will impact performance in Q1 2023.

Lettings revenue was resilient, increasing by 4%, on a like-for-like basis, over 2021. The impact of slow exchange speeds, reduced house purchase activity and a solid lettings performance combined to produce Underlying Operating Profit for the Estate Agency Division of £10.5m, £7.9m below the performance in 2021 which had benefitted significantly from the extension of the stamp duty holiday to 30 June 2021. The performance during H2 was 4% ahead of H2 2021.

Strategic priorities and developments

The Group has made substantial progress with the strategy we set out in 2020 to reduce our exposure to housing market cycles, simplify the business and focus investment on high growth areas, notably our Financial Services Network business.

In January 2023, we announced the disposal of our London estate agency business, Marsh & Parsons, to Dexters for a consideration of £29m. Marsh & Parsons, which contributed £1.5m to 2022 Underlying Operating Profit, has a relatively low volume, high fee business model when compared to the rest of the Estate Agency Division, and was particularly exposed to London housing market cycles giving rise to a relatively volatile earnings profile. Other steps to simplify the Group include the disposal of our small property management business PRSim and the consolidation of asset management operations within Surveying & Valuation.

Throughout 2022 we maintained our level of investment in Mortgage Gym and DLPS, the technology businesses acquired in April 2021 to support our Financial Services growth plans. Work continued to adapt and develop the technology with a view to deployment across our Financial Services Network, with the first stage of this work to be completed during 2023. This technology investment helps our Network members become more efficient as well as generating additional income for them and the Group. In 2023, we will complete our work to refocus these businesses, which will be absorbed into the Financial Services Network reflecting what is now their predominant business focus.

Our Financial Services-led growth plans are centred on the B2B service offered to our Network members where we believe there are significant opportunities to grow further by expanding the number of advisers and the product range they distribute. The Network business offers a highly scalable, low cost platform through which strong margins can be sustained in different market conditions and is consistent with our vision of LSL as a B2B service provider.

We previously concluded that it would be better to pursue the considerable opportunities in the D2C mortgage broking market under a different ownership structure to that of the Group, so that significant capital could be deployed and entrepreneurs incentivised appropriately through different economic cycles. This led to the announcement in 2021 of our Pivotal Growth buy and build joint venture with Pollen Street Capital.

Pivotal Growth has now acquired eight businesses, comprising around 330 advisers, including the Group First and RSC, Embrace Financial Services and F2P D2C businesses transferred from LSL. The consideration for RSC, Group First and Embrace Financial Services will be based on their financial performance in 2024. The consideration for F2P is payable at completion.

I believe this is an exciting move for both Pivotal and LSL, providing increased scale for Pivotal and the right environment for these businesses to grow further. It has also helped simplify the LSL Group considerably,

substantially reducing our cost base and exposure to housing market cycles whilst also reducing management stretch to enable us to focus on the substantial opportunity to grow the remaining Financial Services Network, Surveying & Valuation and Estate Agency businesses.

In Surveying & Valuation we have continued to diversify our revenue streams. In May 2022, we launched a consumer-facing website to support the growth of our enhanced D2C proposition, where we achieved a 60% increase in revenue year-on-year. Providing data services to lenders has strengthened our relationships and helped secure contract wins and increased allocations of valuation instructions, whilst we have established a strong position in the equity release valuation segment, a sector we expect to grow significantly over the medium term. Equity release instructions accounted for approximately 16% of revenue in 2022 (2021: 12%).

Strong balance sheet

Our cash generation in the year resulted in a Net Cash balance of £40.1m. This was boosted further in January 2023 following the disposal of Marsh & Parsons for a consideration of £29m. Our strong balance sheet and continuing strong cash generation enables us to invest with confidence throughout the economic cycle, including restructuring the Group to deliver our ambitious growth strategy. In 2023, we will continue to invest in capability and technology, support Pivotal Growth in its acquisition of D2C brokerages, and consider potential acquisition targets to build our Financial Services Network business. The Board will continue to actively review its capital allocation policy to ensure we maintain an efficient balance sheet.

To provide further flexibility to our balance sheet, during February 2023 we agreed an amended and restated banking facility with a maturity date of May 2026, arranged on materially the same terms, replacing the previous £90m with a £60m revolving credit facility with major mainstream UK lenders, available on request at any time.

Dividend

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

Although economic conditions have affected current earnings, we have made significant progress in executing our strategic shift to develop a business that is less exposed to the housing market cycle.

As part of that shift and the associated rationalisation of certain businesses such as the recent sale of Marsh & Parsons, we have built significant Net Cash balances, which at 31 December 2022 and prior to the disposal of Marsh & Parsons, stood at £40.1m. In light of this exceptionally strong cash position and the Board's confidence in the future prospects of the Group, the Board recommends a final dividend of 7.4 pence. If approved, this would give a total dividend of 11.4 pence per share, unchanged from last year.

The ex-dividend date is 27 April 2023 with a record date of 28 April 2023 and a payment date of 2 June 2023. Shareholders can elect to reinvest their cash dividend and purchase additional shares in LSL through a dividend reinvestment plan. The election date is 11 May 2023.

The Board continues to keep its capital allocation policy and balance sheet structure under close review to ensure it is fit for purpose for our evolving business model and will seek to update shareholders on this as appropriate.

Living Responsibly

The Board believes that success is measured by more than just profits and our Living Responsibly programme is at the centre of our sustainability strategy. Put simply, our objective is to have a positive effect on the communities in which we operate, whether that is measured by the impact we have on the environment, the opportunities we provide to colleagues, the way we serve our

Group Chief Executive Officer's Review

customers or the work we undertake in our communities.

In our ESG and our Living Responsibly Reports, we set out some of the steps we have taken to limit our environmental impact, help ensure LSL is a supportive and inclusive workplace and provide support to good causes.

It is vital that our Living Responsibly programme has real substance and is reflected in everything we do. We are helped to achieve this by a number of independent colleague forums and working groups which provide additional insight in key areas. Further information on these, including the establishment in 2023 of LSL Voices is also set out in our Living Responsibly Report. I am grateful to the very many colleagues who have willingly given their time and energy to support this work.

I am equally grateful for the hard work and commitment of all our staff during what has been a hugely challenging period and which has helped ensure LSL is well-positioned to thrive in all market conditions, and would like to take this opportunity to thank them for their effort and support.

Looking ahead

We have made significant progress in reshaping the Group in line with our strategy and each of our core businesses are performing well. After a strong start to 2022 which saw us build substantial pipelines in Estate Agency and Financial Services, market

conditions deteriorated as a result of political instability and sharply rising interest rates and although we expect to see a steady improvement in activity over the course of the year, it is clear that conditions will remain challenging throughout 2023.

However, LSL remains well-positioned for future growth. Independent mortgage brokers typically perform well in challenging markets, being agile and close to their client's needs, and this will help ensure our Financial Services Network businesses will remain resilient. In addition, although some areas of the valuation market remain depressed following the market uncertainty which followed the 2022 mini-budget, our Surveying & Valuation business remains very well-placed for medium term growth, helped by recent contract wins and good progress made in developing new income streams.

We have made substantial progress in restructuring and refocusing the Group's activities and will continue this work in 2023. Our very strong balance sheet allows us to continue to invest for the future with confidence, and I am excited about the Group's potential and look forward to reporting growth in 2024 and beyond.

David Stewart

Group Chief Executive Officer
12 April 2023

Notes:

¹ Mortgage lending excluding product transfers – New mortgage lending by purpose of loan, UK (Bank of England) – Table MM23.

² Number of residential property transaction completions with value £40,000 or above, HMRC.

Strategic Report

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Purpose, Strategy, Culture, Values and Business Model

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

Our purpose

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

Our strategy

Financial Services is at the heart of our strategy.

During 2023, we will continue to develop our Surveying & Valuation and Estate Agency Divisions' business models, including leveraging their capabilities to grow the Financial Services Division.

Our strategic objectives are to:

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

For details of the steps we have taken to deliver our strategy during 2022, see the Group CEO Review and the Business Reviews.

Our culture

We describe our desired culture as:

Having the right people: who accept accountability for their actions.

Doing the right things: which deliver customer expectations.

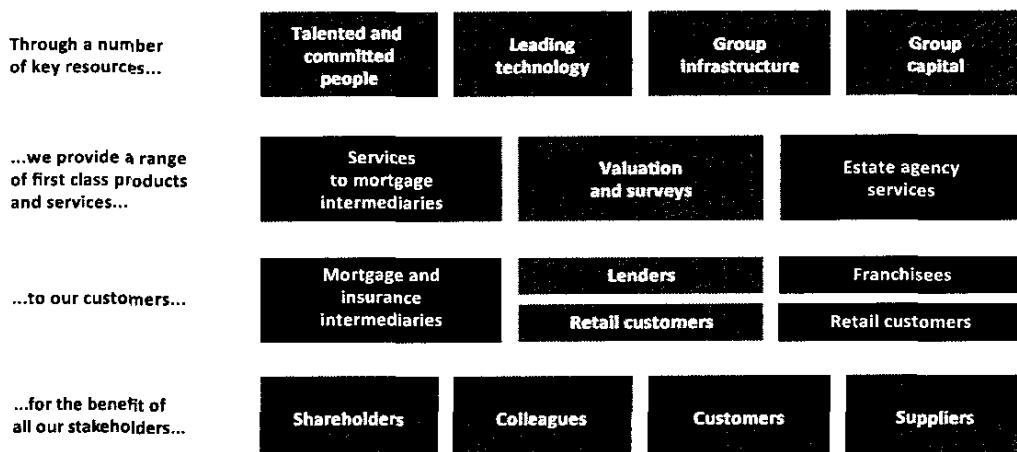
In the right way: being open, challenging of themselves and supporting others.

Our values

Our values, which underpin our culture, are:

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

Our business model (as at the date of this Report)



Key

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

Financial and Divisional Reviews

Financial Review

Group summary (P&L)

Group Revenue of £321.7m was 2% below the record revenue last year (2021: £326.8m), with Financial Services Division revenue up 4%, Surveying & Valuation revenue down 1% and Estate Agency revenue down 5%.

In the Financial Services Division, Financial Services Network revenue increased by 9% which was a positive performance in a broadly flat mortgage market. Financial Services Other revenue was in line with prior year as our D2C businesses were impacted by slower residential activity, offset by remortgage activity. Surveying & Valuation revenue was impacted in the aftermath of the UK mini-budget, illustrated by October YTD revenue running at 9% ahead of prior year whilst 1% back for the full year. Estate Agency revenue was back 5% in a market with purchase activity 15% lower.

Group Underlying Operating Profit was £36.9m compared to the record results posted last year (2021: £49.3m) and in line with 2019, the most recent comparable market. The Group Underlying Operating Profit of £22.7m in H2 was 3% above last year (2021: £22.0m), despite the adverse market impact on the Q4 Surveying & Valuation revenue, as the Group returned to a more normalised profit profile with 62% of operating profit delivered in H2, in line with the pre-COVID-19 levels. During H2 the residential exchange pipeline converted as expected however front end activity was materially lower, impacted by the UK mini-budget, resulting in the closing pipeline being below expectations.

Our strategic focus is on the Financial Services Network where Underlying Operating Profit increased by 8%. Financial Services Other posted a loss, impacted by lower activity in the purchase and new build markets, and included continued technology investment. Estate Agency Underlying Operating Profit was down against prior year due mainly to the impact of the smaller purchase transaction market. Unallocated central costs of £7.3m reduced by 3%.

On a statutory basis, Group operating loss was £56.7m (2021: profit £72.6m). The 2022 results include a £87.2m non-cash impairment charge for goodwill and other intangibles following the annual impairment review, as detailed later in this Financial Review, and 2021 results included the

exceptional gain on sale of our holdings in two joint venture businesses sold during the year.

Operating expenditure

Total adjusted operating expenses¹ increased by 2% to £285.7m (2021: £280.2m) with costs managed carefully, mitigating the impact of the inflationary cost environment - with H2 2022 costs 5% below H1. Our emoluments increased by 2% in 2022, with annual pay and NI increases, and a cost of living award for lower-paid staff, mitigated by headcount reductions in H2 2022 in response to market conditions. Property and related costs increased by 12% reflecting energy price inflation which drove utilities costs up by £1.6m and prior year business rates relief. Other material costs, including IT, were largely protected by previously negotiated fixed-price long term contracts.

Other operating income

Total other operating income was £1.3m (2021: £0.9m). Of this, rental income was £0.7m (2021: £0.9m), reducing year-on-year following the disposal during 2021 of several freehold properties previously leased out.

The fair value of units held in The Openwork Partnership LLP was reassessed to £0.7m and is recognised in other operating income. In 2021, there was a gain on sale of £1.1m generated from the disposal of the freehold properties.

(Loss)/income from joint ventures and associates

Losses from joint ventures and associates of £0.5m (2021: profit £0.7m) primarily relate to our equity share of Pivotal Growth which is still in a growth phase. The prior year income comprised our share of LMS and TM Group profits prior to the disposal of our shares in these investments and our share of set up costs of Pivotal Growth.

Share-based payments

The share-based payment charge of £2.0m (2021: £1.9m) consists of a charge in the period of £3.1m, offset by lapses and adjustments for leavers and options exercised in the period. The prior year included a lower charge of £2.6m, offset by lower lapse and leaver adjustments.

Amortisation of intangible assets

The amortisation charge for 2022 was £4.1m (2021: £4.5m). The year-on-year decrease was

as a result of some lettings book acquisitions and intangible software investments becoming fully amortised during 2021.

Exceptional items

The exceptional gain of £0.7m (2021: £31.1m) relates to a release in the PI Costs provision, as we continue to make progress with settling historic PI claims where actual settlement costs have been lower than expected. The prior year exceptional gain included the gains on disposals of the Group's joint venture holdings in LMS and TM Group.

Exceptional costs of £88.9m (2021: £2.0m), related principally to the outcome of the annual impairment review, which led to non-cash goodwill and other intangibles impairment of £87.2m (2021: £nil) in a number of subsidiaries²: Your Move and Reeds Rains (£42.0m), Marsh & Parsons (£27.7m), DLPS (£1.1m), Group First (£10.3m) and RSC (£6.1m).

The non-cash goodwill impairments result from the deterioration in the near term outlook for cash flows due to market conditions and the significant increase in discount rates since the previous review, impacting Your Move and Reeds Rains, and DLPS, and the strategic decision to sell Marsh & Parsons, Group First and RSC. The disposals of Marsh & Parsons, Group First and RSC were announced in January 2023.

Further exceptional costs of £1.7m (2021: £nil) were recognised as a result of 12 branch closures, as part of a restructuring programme in the Estate Agency Division.

Contingent consideration

The credit to the income statement in 2022 of £0.7m (2021: credit £0.7m), relates to the reduction of the contingent consideration liability for RSC and DLPS, based on revisions to profit forecasts.

Net finance costs

Net finance costs amounted to £2.4m (2021: £2.7m) and related principally to unwinding the IFRS 16 lease liability of £1.4m (2021: £1.5m) and commitment and non-utilisation fees on the revolving credit facility of £1.0m (2021: £1.0m). Finance income increased to £0.1m (2021: £nil) resulting from increased interest received on funds held on deposit.

Financial and Divisional Reviews

Loss before tax

Loss before tax was £59.1m (2021: profit before tax of £69.9m). The year-on-year movement is due to the non-cash impairments to goodwill and other intangibles during 2022, the lower Group Underlying Operating Profit, and the prior year exceptional gain of £29.4m on the sale of the investments in the LMS and TM Group joint ventures.

Taxation

The tax charge of £4.9m (2021: £8.0m) represents an effective tax rate of (8.3)%, which is higher than the headline UK tax rate of 19% largely as a result of the inclusion within the loss before tax of exceptional impairments to subsidiaries, which are not deductible for corporation tax purposes. Deferred tax assets and liabilities are measured at 25% (2021: 25%), the tax rate effective from 1 April 2023.

Earnings per share

Basic Earnings per Share was (62.3) pence (2021: 59.6 pence), with diluted earnings per share of (62.3) pence (2021: 59.2 pence). The Adjusted Basic Earnings per Share was 28.1 pence (2021: 37.7 pence), a decrease of 25%, with adjusted diluted earnings per share of 28.3 pence (2021: 37.4 pence).

Notes:

- ¹ Total adjusted operating expenses include employee costs, depreciation and other operating costs as shown in Group Income Statement.
- ² Refer to note 16 to the Financial Statements.

Financial and Divisional Reviews

Financial Services Division

Financial Summary	FY		
	2022	2021	Var
P&L (£m)			
Financial Services Network Gross revenue	316.6	295.9	7%
Financial Services Network	41.6	38.3	9%
Financial Services Other	40.0	40.2	(0)%
Total Net Revenue	81.7	78.5	4%
Financial Services Network	15.5	14.4	8%
Financial Services Other	(2.3)	0.4	nm
Underlying Operating Profit¹	13.3	14.8	(10)%
Financial Services Network margin	37.3%	37.5%	(20)bps
Underlying Operating margin ¹	16.2%	18.8%	(250)bps
Operating (loss)/profit	(6.8)	10.0	(168)%
KPIs			
LSL mortgage completion lending ² (£bn)	45.6	41.1	11%
Total advisers	2,867	2,858	0%
Gross revenue per average adviser ³ (£'000s)	93.9	90.1	4%

Notes:

¹ Divisional Underlying Operating Profit and Divisional Underlying Operating margin are stated on the same basis as Group (as set out in note 5 to the Financial Statements).

² LSL mortgage completions lending quoted includes product transfers.

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

⁴ Financial Services is managed as one segment and for presentational purposes its results have been split between Network and Other.

Financial and Divisional Reviews

Highlights

- Record Financial Services Network Underlying Operating Profit of £15.5m (2021: £14.4m) up 8%.
- Record total lending of £45.6bn, up 11% (2021: £41.1bn).
- Further increase in share of UK purchase and remortgage market to 10.4%¹ (2021: 9.6%), reflecting strength of Network mortgage advisers in remortgages, a segment we expect to increase further in importance in 2023.
- Gross revenue per adviser up 4%.
- Total LSL advisers increased to 2,867 (2021: 2,858).
- Total Financial Services Division Underlying Operating Profit was £13.3m (2021: £14.8m) reflecting further investment in technology and impact of a lower purchase market on D2C brokerages subsequently sold to Pivotal Growth.

Financial overview

Total revenue reported was up 4% to £81.7m (2021: £78.5m). Core Financial Services Network revenue grew by 9% year-on-year benefitting from higher adviser numbers and strong renewal volumes. Financial Services Other revenue was in line with last year due to stronger H2 (£1m ahead of 2021) in line with increased market activity. Financial Services Division Underlying Operating Profit¹ was £13.3m (2021: £14.8m). On a statutory basis, operating loss was £6.8m (2021: profit £10.0m).

The Division's revenue mix by product continues to highlight the significance of our insurance business and its success in arranging insurance products both on a standalone basis and when needed at the time of a mortgage being arranged. In 2022, there remained a broadly equal split between mortgage related and insurance related revenue. The split of revenue by product type in 2022 was £36.5m for mortgage fees (2021: £33.7m), £34.2m for protection and insurance fees (2021: £35.2m) and £10.9m in other fees (2021: £9.6m).

Financial Services Network business

Gross purchase and remortgage completion lending increased by 11% to £32.7bn (2021: £29.5bn) representing an increased share of the lending market excluding product transfers to 10.4% (2021: 9.6%).

Including product transfers, total gross mortgage lending was £45.6bn in 2022 (2021: £41.1bn). Gross revenues generated by the Financial Services Network business (including the TMA mortgage club) increased by 7% to £316.6m (2021: £295.9m).

Gross revenue per average adviser in 2022 was £93.9k (2021: £90.1k). Whilst AR firms in the network have been understandably cautious about growing adviser numbers in the midst of the economic and political uncertainty, and as a result the Financial Services Network business saw modest growth in adviser numbers, this indicates that through the turnover of advisers, there is a net improvement in the most productive.

Financial Services Network business focused heavily on helping member firms look after the mortgage needs of their existing customers during 2022, particularly during periods of rapidly changing interest rates. This deliberate focus helped member firms grow their revenue through increased volumes of remortgage and product switches, despite the decline in the housing market.

Underlying Operating Profit increased 8% to £15.5m (2021: £14.4m) with Underlying Operating margin decreasing marginally to 37% (2021: 38%) as we continue to invest in our businesses and some cost categories returned to levels more in line with pre-COVID-19 periods, for example broker events and marketing support.

Financial Services Other

Financial Services Other generated an Underlying Operating Loss of £2.3m (2021: profit £0.4m), which is stated after our continued investment in the businesses that make it up, including costs of the TPGF contract and the Pivotal Growth joint venture.

As well as continued investment in the Mortgage Gym platform, we continued to invest in the Financial Services Network business technology platform (Toolbox), to deliver benefits to firms and their advisers and create further efficiencies and improved functionality. Financial Services Other D2C businesses were impacted by lower activity levels in the new purchase market but took advantage of the increased refinancing activity which peaked in H2 and was impacted in part by the UK mini-budget.

The Pivotal Growth joint venture was established in April 2021, with a net loss in 2022 of £0.5m after acquisition costs and overheads. The slower than expected momentum in acquisitions means it is still in the investment phase, and we expect a positive contribution in 2023.

Notes:

¹ Mortgage lending excluding product transfers — New mortgage lending by purpose of loan, UK (Bank of England) — Table MM23.

² Gross revenue per adviser is calculated as Financial Services Network gross revenue (excluding the TMA mortgage club) per active adviser.

Financial and Divisional Reviews

Surveying & Valuation Division

Financial Summary	FY		
	2022	2021	Var
P&L (£m)			
Total revenue	93.2	93.7	(1)%
Underlying Operating Profit ¹	20.4	23.6	(14)%
Underlying Operating margin ¹	21.9%	25.2%	(330)bps
Operating profit	20.8	24.7	(16)%
KPIs			
Jobs performed (000's)	532	541	(2)%
Jobs per average surveyor	1,065	1,079	(1)%
Revenue from private surveys and data services (£m)	3.8	2.2	73%
Income per job (£)	175	173	1%
Operational surveyors employed (FTE ²)	512	489	5%

Notes:

¹ Divisional Underlying Operating Profit and Divisional Underlying Operating margin are stated on the same basis as Group (as set out in note 5 to the Financial Statements).

² Full Time Equivalent (FTE).

Highlights

- Surveying & Valuation Division once again performed strongly.
- Despite the sudden and unexpected market disruption, Underlying Operating margin¹ remained resilient at 22% (2021: 25%), and well ahead of the pre-COVID-19 period (2019: 19%).
- Underlying Operating Profit of £20.4m (2021: £23.6m), despite an estimated £5m profit impact from Q4 market disruption.
- D2C and data services income increased by 73% to £3.8m.
- Jobs performed was broadly in line with FY21 at 532k despite market disruption.

Summary

The Surveying & Valuation Division's Underlying Operating Profit reduced by 14% compared to 2021, materially impacted by the disruption to mortgage lending in Q4 2022 as a result of political and economic uncertainty. Revenue growth for the first three quarters of FY22, immediately prior to the Government's mini-budget was 9% year-on-year against broadly flat lending market growth of 2%.

Surveyor capacity utilisation remains above historic levels, with the slight reduction compared to the prior year resulting from the market slowdown in Q4 with record levels of capacity utilisation to that point. Jobs per average surveyor reduced slightly

in the period to 1,065 (2021: 1,079) due mainly to the H2 graduate intake which is expected to drive a benefit in 2023 as these surveyors become fully operational. Underlying Operating margin reduced to 22% (2021: 25%), largely as a result of a 4% increase in operating costs linked to strategic headcount investment and inflationary cost pressures.

We estimate that we increased market share in 2022, while maintaining operational resilience and providing high-quality service. We were named Best Surveying Firm at the 2022 Mortgage Finance Gazette Awards and Best Surveyor at the 2022 Equity Release Awards with Mortgage Solutions. During the 12 months to 31 December 2022, one key supplier contract was renewed in addition to one renewal at the end of December 2021, increasing valuation instruction allocations. We also achieved increases in allocations from some existing lender clients. Almost two thirds of our total annual volume is currently secured for at least 18 months. Significant further progress was made with our strategic objective of developing income from private surveys and data, which increased by 73% to £3.8m.

Financial overview

Revenue reduced by 1% to £93.2m (2021: £93.7m), impacted by a material market slowdown in Q4. Surveying & Valuation Division revenue YTD October was 9%

above the same period in 2021. Underlying Operating Profit reduced by 14% to £20.4m (2021: £23.6m). On a statutory basis, operating profit was £20.8m (2021: £24.7m).

Income per job increased by 1% to £175 (2021: £173), with the higher volume of jobs performed reflecting the improved capacity management with similar levels of operational surveyors. During 2022, 72% of the Division's jobs derived from its top five lender clients. This is broadly consistent with the concentration of mortgage lending in the UK, where it is estimated that the six largest lenders collectively account for around 70% of the market. The total number of jobs performed during the period was 532,000, which was 2% lower than in 2021.

At 31 December 2022, the total provision for PI Costs was £2.3m (31 December 2021: £3.9m). The Group continued to make positive progress in addressing historic PI claims and the number of new valuation claims provided for in the year remained very low.

The number of operational surveyors employed at 31 December 2022 was 512, which was an increase on 31 December 2021 at 489. Our graduate and trainee mentoring programmes continue to provide new productive surveyors, to alleviate any capacity constraints in the market.

Financial and Divisional Reviews

Estate Agency Division

Financial Summary	FY		
	2022	2021	Var
P&L (£m)			
Residential sales exchange income	63.5	71.7	(11)%
Lettings income	63.3	62.0	2%
Other income ¹	20.1	20.8	(3)%
Total revenue	146.8	154.6	(5)%
Underlying Operating Profit²	10.5	18.4	(43)%
Underlying Operating margin ²	7.2%	11.9%	(470)bps
Operating (loss)/profit	(61.8)	46.5	(233)%
KPIs			
Exchange units	16,506	18,845	(13)%
Managed properties	23,881	24,372	(2)%
Owned branches	214	225	(19)%
Franchised branches	127	128	(1)%
Total Estate Agency branches ³	341	353	(12)%

Notes:

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

² Divisional Underlying Operating Profit and Divisional Underlying Operating margin are stated on the same basis as Group (as set out in note 5 to the Financial Statements)

³ Estate Agency branch numbers are quoted including Marsh & Parsons (disposed 26 January 2023).

Highlights

- Estate Agency national market share¹ increased to 1.30% (2021: 1.28%).
- Estate Agency Underlying Operating Profit of £10.5m (2021: £18.4m) in a reduced purchase market.
- Underlying Operating Profit in H2 of £11.5m materially ahead of prior year (H2 2021: £5.9m).

Summary

As a result of the marginal increase in national market share, the residential sales income reduction was 12% compared to the prior year in a market that was 15% lower, with the higher pipeline entering the year also supporting the performance. H2 exchanges were in line with our previous expectations after the delays to pipeline conversion experienced in H1.

However, market activity slowed further in H2, driven by affordability issues. As a result, the residential sales pipeline entering 2023 of £15.3m has reduced materially from the record high in June of £26.7m and is 26% lower than the pipeline on 31 December 2021 (£20.7m). Lettings income increased 2% compared to the prior year and represented

43% (2021: 40%) of total Estate Agency Division income, due to an improved average rent in a market where the supply of new stock remained limited.

Financial overview

Revenue for the year of £146.8m was 5% behind prior year (2021: £154.6m), with residential sales income 12% below what was a year of unusually high activity due to the temporary reductions of stamp duty. Underlying Operating Profit was £10.5m, reflecting the lower residential market activity and inflationary costs pressures within the branch network, specifically higher energy costs and business rates now at pre-COVID-19 levels, with no rates relief in 2022. On a statutory basis, operating loss was £61.8m (2021: profit £46.5m) due to exceptional goodwill impairment charges of £71.4m in the period and gains from the sale of joint ventures during 2021 of £29.4m.

Residential sales

Residential sales exchange income decreased by 12% to £63.5m (2021: £71.7m). The Estate Agency Division consolidated the market share gains made during 2021, broadly maintaining the share of instructions in the

locations we trade, and with marginal growth of our market share of housing transactions on a national level. The residential sales pipeline (including Marsh & Parsons) decreased to £15.3m at 31 December 2022 (31 December 2021: £20.7m).

Conversion of the residential exchange pipeline remained slow throughout the year, impacting H1 2022 performance in particular. H2 2022 saw fewer new properties coming to market and lower levels of sales agreed. There was also a trend towards an increase in the number of fall-throughs, largely affecting more recently agreed sales, both of which will impact performance in Q1 2023.

Lettings

In the lettings market there has been a very limited supply of new instructions. Our focus has therefore been on reletting and retaining our managed property portfolio. The total number of managed properties at 31 December 2022 was 23,881, slightly below the 24,372 at the same date in 2021. Stronger average rental prices resulted in like-for-like lettings income up 4% year-on-year at £63.3m.

Other income

Other income was down 4% to £20.1m (2021: £20.8m) reflecting the impact of the lower exchange volumes on conveyancing and financial services income directly linked to exchange volumes. Asset management was 17% ahead of 2021. However, market repossession volumes remain low, albeit ahead of the exceptionally low market in 2021 which was severely impacted by COVID-19.

Notes:

- 1. Number of residential property transaction completions with value £40,000 or above, HMRC (24 January 2023).

Financial and Divisional Reviews

Balance Sheet Review

Goodwill

The carrying value of goodwill is £50.5m¹ (31 December 2021: £160.9m) reflecting the non-cash impairment of £87.0m in Your Move and Reeds Rains, Marsh & Parsons, Group First, RSC, and DLPS at 31 December 2022. During December 2022 the Group made the strategic decision to sell both Group First and RSC to its joint venture Pivotal Growth and separately made the decision to sell Marsh & Parsons to Dexters. This resulted in the reclassification of these businesses as held for sale, with a reduction of £17.3m in goodwill. The sales of all three businesses were announced in January 2023.

Other intangible assets and property, plant and equipment

Total capital expenditure in the year amounted to £4.9m (2021: £6.9m), primarily reflecting the continued investment in technology in the year, including £2.0m (2021: £2.2m) for further development of the Toolbox platform and other technologies in the Financial Services Division. The higher prior year expenditure also reflected investment by the Estate Agency Division in third party property software, IT infrastructure investment, and an element of spend deferred from 2020, when cash conservation measures had been taken.

Financial assets and investments in joint ventures and associates

Financial assets

Financial assets of £1.0m at 31 December 2022 (2021: £5.7m) comprise investments in equity instruments in unlisted companies. The carrying value of the Group's investment in Yopa at 31 December 2022 has been assessed as £nil (2021: £4.5m), with the reduction recognised through the Statement of Comprehensive Income. In determining the carrying value the Group considered both the historic and current trading performance of Yopa, which continued to be loss making and the general market share decline of hybrid estate agencies. In January 2023, the Group agreed to sell its shares in Yopa for £nil consideration based on third party valuations provided to the existing shareholders.

The carrying value of the Group's investment in VEM at 31 December 2022 has been assessed as £0.2m (2021: £0.7m). Our valuation is based on a four year weighted EBITDA multiple applied to actual and forecast profits, with the reduction recognised through the Statement of Comprehensive

Income. In March 2023, the Group agreed to sell its shares in VEM for £0.2m consideration.

During the period the fair value of units held in The Openwork Partnership LLP was reassessed to £0.7m (31 December 2021: £nil), with the gain recognised in other operating income.

Joint ventures

In April 2021 the Group established the Pivotal Growth joint venture and holds a 47.8% interest at 31 December 2022. The joint venture is accounted for using the equity method and is held on the balance sheet at £5.1m at 31 December 2022 (31 December 2021: £1.6m), representing the Group's equity investment in Pivotal Growth during the period, less our share of losses after tax for the period.

During 2021, we disposed of our entire holding in both non-core businesses LMS (May 2021) and TM Group (July 2021) for total proceeds of £41.3m.

Bank facilities/Liquidity

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

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

At 31 December 2022, Net Cash was £40.1m (31 December 2021: Net Cash £48.5m). The net decrease in cash and cash equivalents of £8.4m in 2022 included further investment in Pivotal Growth (£4.0m), capital expenditure of £4.9m (2021: £6.9m), a share buy back programme (£4.0m), the loan of £5.0m to the EBT for the acquisition of LSL shares to satisfy employee share schemes, payment of the 2021 final and 2022 interim dividends

of £11.8m (2021: £4.2m dividends paid) and reduced corporation tax payments of £6.1m (2021: £8.5m). Provisions also decreased by £0.8m (2021: decrease of £3.2m), due to the positive progress in addressing historic PI claims.

The Group generated adjusted cash from operations² of £28.8m (2021: £37.7m). After adjusting for tax payment deferrals agreed with HMRC relating to 2020, the cash flow conversion³ rate was 78%. The 2021 conversion of 106% was supported by significantly higher Estate Agency revenues, with high immediate cash drop-through.

The Financial Services Network business has a regulatory capital requirement associated with its regulated revenues. The regulatory capital requirement was £5.9m at 31 December 2022 (31 December 2021: £4.9m), with a surplus of £24.9m (31 December 2021: £14.2m).

Contingent consideration liabilities

Contingent consideration liabilities at 31 December 2022 were £2.3m (31 December 2021: £3.0m). Contingent consideration liabilities relate primarily to the cost of acquiring the remaining shares in RSC. The year-on-year reduction reflects an update to forecasts in both RSC and Direct Life Quote Holdings Limited, and a small part-settlement of the latter. Ahead of the disposal of RSC in January 2023, we settled the contingent consideration of £2.3m.

Treasury and Risk Management

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

International Accounting Standards (IAS)

The Financial Statements have been prepared in accordance with UK adopted IAS.

Notes:

¹ Refer to note 16 to the Financial Statements.

² Adjusted cash flow from operations is defined as cash generated from operations, less the repayment of lease liabilities, plus the utilisation of PI provisions.

³ Adjusted cash flow conversion defined as cash generated from operations (pre-PI Costs and post-lease liabilities) divided by Group Underlying Operating Profit.

Our Stakeholder Engagement Arrangements

This section of the Report describes how we engage with our stakeholders and how the Board and its Committees consider stakeholder views in their decision making. It also includes examples of how stakeholders have been engaged with or taken into consideration during the Board's decision making in 2022.

The Management Team regularly reviews arrangements with our stakeholders, to ensure that we are operating in line with best practice. This includes identifying any stakeholder impacts when presenting proposals to the Board for approval.

Each year the Board also reviews the Group's stakeholder engagement arrangements. As part of the 2022 review, the Board considered guidance published by the Investment Association and The Chartered Governance Institute, in addition to the GC100 guidance on director's duties under section 172 of the Companies Act 2006.

Our stakeholders

The following are the Group's key stakeholders:

1. Shareholders.
2. Colleagues.
3. Customers.
4. Suppliers.

While we regularly consider other stakeholders such as regulators, professional bodies, landlords of our leased premises and our banking facility providers, this section of the Report focuses on our arrangements with the above listed key stakeholders.

Additional information on our stakeholder engagement is included in the ESG Report (page 30) and the Corporate Governance Report (page 54).

Stakeholder engagement arrangements and report on 2022 activities

1. Shareholders

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

Institutional shareholders

We maintain a dialogue with institutional shareholders through regular meetings with them, attended by the Group CEO and Group CFO.

These meetings typically discuss Group strategy, performance and governance matters and obtain investor feedback. In addition, we arrange presentations for shareholders and analysts, including after the publication of the interim and full year results.

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

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

During 2022, we have engaged with our shareholders as part of our review of the Directors' Remuneration Policy (Policy), which is detailed in the Directors' Remuneration Report (page 73) and which will be presented to shareholders for approval at the 2023 AGM. As part of the exercise, Darrell Evans (Chair of the Remuneration Committee) wrote to our significant shareholders to seek their feedback on the proposed changes to our Policy and, as appropriate, changes to the implementation of the Policy. Darrell and the Group HR Director also took part in follow-up correspondence and calls with the shareholders who responded to the consultation. Additionally, we consulted with shareholder representative groups and proxy advisers on the draft Policy and took their feedback into account. Further detail on the Policy is included in the Directors' Remuneration Report in this Report (page 73).

If any shareholder, shareholder representative groups or proxy advisers wish to discuss any issues or concerns with any Non Executive Directors, they can be contacted through the Company Secretary's office (see the Shareholder Information section of this Report for contact details (page 183)).

Individual shareholders

We consider the AGM to be our main forum for communication with individual shareholders and all of our Directors will be available at the 2023 AGM to meet with shareholders.

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

- Publication of information on our website (lsips.co.uk). This includes all regulatory news announcements as well as copies of presentations, financial reports and shareholder notices.
- Holding a general meeting when required.
- Responding to email enquiries.
- Feedback received via our corporate brokers, Numis and Zeus.

Our Stakeholder Engagement Arrangements

By utilising a range of shareholder engagement options, we believe we are treating our shareholders fairly. For example, while we wrote to significant shareholders as part of the Policy review, smaller shareholders have the option of emailing us or attending and voting at the AGM to register their feedback on the proposed Policy.

2. Colleagues

We engage with our colleagues through:

- a. Employee surveys. In 2022, we ran our annual colleague survey, to establish colleague views of working at LSL and identify areas for improvement. The annual survey received a 61% response rate (2,506 responses), compared with 2021's response rate of 76% (3,119 responses). The results are shared in detail with the Executive Committee, the Living Responsibly Steering Committee and the Board. See ESG Report (page 30) for details about the annual survey including key findings and actions arising from the survey.
- b. Our Employee Engagement Forum, Inclusion and Diversity Forum and Communities Forum report regularly to the Group CEO and the Living Responsibly Steering Committee on their activities. There is onward reporting to the Board and its Committees. There are also Divisional employee forums which report to Divisional Management Teams. For further details on the Inclusion and Diversity Forum and Communities Forum, see the ESG Report (page 30) and the Living Responsibly Report.
- c. Darrell Evans, is the designated Non Executive Director for workforce engagement (see below) meets regularly with the Employee Engagement Forum and contributes to Board discussions ensuring consideration is given to colleagues.
- d. Emails to colleagues from the Group CEO and Divisional Managing Directors, on matters such as business performance. Each Division also runs local colleague conferences, as well as hosting intranet sites and message boards, keeping our colleagues up to date on company information. The Group CEO issues email updates to all colleagues with Group updates.
- e. The operation of all colleague share schemes, such as the BAYE/SIP and SAYE. The BAYE plan/SIP allows colleagues to save up to £150 per month and buy shares in LSL in a tax efficient manner (as approved by HM Revenue & Customs (HMRC)). Furthermore, for every five shares that colleagues purchase through the plan, the Company awards one matching share. Colleagues who participate in this plan also benefit from dividends which are reinvested into the plan, to further align colleague and shareholders' interests. The SAYE enables colleagues to save monthly with the opportunity to buy LSL shares at the end of the saving period.
- f. During 2022, a second free share award was given to all colleagues across the Group, which was worth up to £500. This has enabled colleagues to share in our positive financial performance in 2021. It also ensures the alignment of colleague interests to our shareholders and we hope it will incentivise colleagues to remain with the Group.

Workforce engagement in 2022

During 2022, Darrell Evans met with the Employee Engagement Forum to discuss the Policy review (for further details see below). During this meeting, Darrell listened to colleague concerns about the cost of living challenges faced by colleagues and he raised their feedback with the Board. This feedback was included in the Remuneration Committee's considerations, ahead of it approving a £500 cost of living payment for colleagues earning less than £30,000 (full time). Further detail is set out in the Directors' Remuneration Report (page 73).

At the meeting, Darrell had a Q&A session with the forum and received an update on a review of the composition of the Employee Engagement Forum. The purpose of the review was to ensure that the forum better reflects the workforce it represents. Following the review, membership of the forum was increased from 20 to 40 (which equates to c1% of the total Group workforce). The recruitment of new members was targeted at formerly under-represented groups, specifically lower grades and those aged under 30 and over 60, colleagues from ethnic minority backgrounds, and to ensure balance of participation from each Division.

3. Customers

All Group businesses seek regular feedback from customers, which informs our decision making and, in particular, the improvement and development of our services. For example, in developing our Toolbox and Mortgage Gym technology in our Financial Services Division, we have sought and taken into account PRIMIS member feedback.

Customer feedback is obtained through a number of methods, such as relationship management meetings, formal questionnaires, mystery shopping exercises and consumer focus groups.

Each of our Divisions also monitors KPIs and management information relating to its customer service, including complaints information and data tracking adherence to agreed service levels for corporate clients. We also have client relationship management arrangements.

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

4. Suppliers

Across the Group, we manage our key suppliers through supplier management protocols, which include reviews of contractual performance and other KPIs. As part of Management's reporting, including special business presentations, the Board also receives information on key supplier engagements. As part of our Living Responsibly programme, we are also developing a supplier code of practice, which we are continuing to progress during 2023.

See also below our Director Duties Statement for examples of how shareholders, employees and customers were considered in the Board's decision making during 2022. The ESG Report I (page 30) also describes how our businesses communicate with customers and suppliers.

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

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

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

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

s172 Duty to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

Example 1 – Disposal of D2C and non-core assets

The Board, as part of its strategy review, chose to focus on the progression of the Group's Financial Services-led growth strategy.

It has also sought to simplify the Group and focus on B2B activities.

This has resulted in the disposal of D2C broker businesses, **RSC and Group First** and the sale of **London estate agency, Marsh & Parsons**.

Example 2 – Change the Race Ratio

The Board considered developments to LSL's sustainability strategy and programme, which is detailed in our ESG Report (page 30) and our Living Responsibly Report.

During 2022 this included LSL becoming a signatory to the CBI's Change the Race Ratio (Ratio), to support our diversity and inclusion initiatives.

Ahead of signing up to the Ratio, Management sought the Board's approval and in making its decision, the Board considered the following stakeholders:

- Colleagues.
- Shareholders.
- Customers.

Retaining, developing and attracting diverse talent supports the long term success of the Company, by supporting succession planning at all levels as we develop our colleague talent pool.

Example 3 – Remuneration Policy (triennial review)

The Remuneration Committee undertook the triennial review of the Directors' Remuneration Policy (Policy). The proposed new Policy will be presented to the 2023 AGM for approval. Further detail on the proposed changes to the Policy are in the Directors' Remuneration Report (page 73).

The Committee considered that the proposed Policy aligns the Directors' interests to the long term interests of LSL.

a. Likely consequence of any decision in the long term.

The two D2C broker businesses have been sold to Pivotal Growth, which is our joint venture with Pollen Street Capital. Pivotal Growth's strategy is to buy and build a D2C broker business and we believe that Pivotal Growth is better placed to grow these businesses for the benefit of the businesses and our shareholders.

Marsh & Parsons had, since its acquisition in 2011, operated largely autonomously from the Group's Estate Agency Division and was therefore not core to our Group.

Our Stakeholder Engagement Arrangements

b. The interests of our colleagues.	Colleagues employed in these businesses are no longer part of the Group and where they benefitted from Group benefits (such as options under employee share schemes) we have put in place arrangements to protect their benefits.	<p>The proposal to sign up to the Ratio was discussed at length by the Inclusion and Diversity Forum and its feedback was included in the proposal to the Board.</p> <p>The Board also considered colleagues in its decision making by noting that committing to the charter and accessing the resources provided to the signatories will support LSL in its ability to promote inclusion and diversity across the workforce, which will have a positive impact on colleagues and their working environment by delivering an inclusive culture which fosters diverse talent.</p>	Darrell Evans, Independent Non Executive Director, Chair of the Remuneration Committee and the designated workforce engagement Non Executive Director, met with the Group's Employee Engagement Forum to seek views on the Policy. At this meeting, the forum members received a presentation on the Policy changes. The forum's feedback was shared with the Remuneration Committee when it met to consider the Policy.
c. The need to foster the company's business relationships with customers.	In developing our strategy for simplification, we have sought to ensure there is no adverse impact on our customers arising from any disposals.	<p>We believe that a workforce which is representative of the communities it services will also deliver benefits to our customers.</p> <p>In Surveying & Valuation, key lender clients have also shared their ESG priorities with us and we consider that the Ratio aligns with their priorities in the area.</p>	
d. The need to foster the company's business relationships with suppliers.	We also sought to ensure there is no adverse impact on our suppliers arising from any disposals and, where possible, we have sought to engage with our suppliers.	We hope that as a result of signing the Ratio, this will encourage and promote greater diversity in our suppliers/supply chain.	
e. The impact of the company's operations on the community and environment.	As a result of the disposals, we will no longer be providing services out of locations where the disposed businesses operated. However, the impact on the local communities is mitigated as the businesses are expected to continue to operate out of those locations.	<p>Signing the Ratio supports the fostering of racial diversity in the Group, which contributes positively to wider society.</p> <p>We also believe that signing up to the Ratio helps us better understand our impact on our communities and the working environment that we are fostering.</p>	The proposed change to the Policy removed the requirement for at least 30% of LTIP awards to be based on TSR and provided flexibility to select financial and non-financial metrics, which may include for example ESG metrics. For further details relating to the Policy, see the Directors' Remuneration Report (page 73).
f. The desirability of the company maintaining a high standard of business conduct.		By signing the Ratio we are committing to adopting high standards in our employment and wider practices.	In developing our Policy, the Remuneration Committee takes advice from Korn Ferry to ensure that our Policy reflects best practice.
g. The need to act fairly between members of the company.	We believe the disposal and Group simplification strategy delivers value to all shareholders, especially as it reduces our exposure to housing market cycles and focuses our investment on high growth areas, notably our Financial Services Networks.	In making its decision to adopt the Ratio, the Board considered how it aligns with the interests of all our shareholders. We believe that by supporting and fostering diverse talent we will recruit, retain and develop talented employees which will help us to generate value for the Group and our shareholders.	<p>The Remuneration Committee consulted with significant shareholders as part of the Policy review and considered the feedback received in its deliberations.</p> <p>Smaller shareholders have the option of emailing us or attending and voting at the AGM to register their feedback on the proposed Policy.</p> <p>The Remuneration Committee has, in developing the Policy, ensured alignment of the interests of the Directors to those of all of our shareholders.</p>

Principal Risks and Uncertainties

Our risk framework:

- Risk management routines support us in delivering our financial performance and our strategy. Our purpose, values and culture supports our risk management framework by setting the standards and behaviours we expect from colleagues.
- The Audit & Risk Committee regularly reviews our principal risks and uncertainties and receives reports relating to our risk management systems and controls. It also considers emerging risks and the outputs of our stress testing routines.
- Each of our three Divisions has risk management arrangements, systems and controls which feed into the Group's overall arrangements. Divisional Chief Risk Officers and local governance forums oversee Divisional risk management frameworks, which involve the use of risk metrics, policies, procedures, risk treatment plans and tracking of emergent issues. The frameworks focus on risk management practices for key areas such as change management, client servicing, cyber threats and regulatory compliance.
- The Group scrutinises and challenges Divisional risk management activities through a regular Internal Audit cycle and through risk-based governance forums, attended by senior Group and Divisional representatives.
- The Group has adopted a 'three lines of defence' approach to risk management, which seeks to ensure that we promptly identify and manage risks through our oversight routines. The first line of defence sits with operational/functional management teams who own and manage the risks. Further oversight functions include Divisional Risk and Governance teams (second line), the Group Finance team (second line) and the Group's Internal Audit team (third line). These structures enable us to layer our oversight activities to reinforce their overall effectiveness. The relevant control functions escalate issues to the Executive Directors, the Audit & Risk Committee or the Board where appropriate.
- As we focus on delivering our strategic objectives, we continued our work to improve the Group's risk management arrangements including developing the Group risk framework. This is an evolutionary process, involving ongoing strengthening of oversight routines and regularly considering further investment in resources.





2022 themes





- During 2022 we faced challenging economic and political conditions, including rising inflation, the impact of the mini-budget and rising interest rates. Globally, businesses have felt the impact of the war in Ukraine including the effects of rising energy costs and the impact on consumers of the cost of living crisis. The combined impact has been felt by all of our businesses across our three Divisions.
- At the heart of our Group strategy is the growth of our Financial Services Network business which has, in line with the rest of our Group, been impacted by the economic and political conditions referred to above. In addition, the Division is also addressing FCA reforms relating to the AR regime and the implementation of the new consumer duty requirements, which are being monitored as part of our strategic project programme.
- We manage the identification, ownership and delivery of key strategic initiatives through a programme of high priority projects, each driven by a member of the Executive Committee. The Group CEO and Group CFO oversee each project, with the Board receiving regular reports on the progress of individual projects as well as overall progress.
- The Group has continued to support the growth of Pivotal Growth, the buy and build joint venture with Pollen Street Capital, including the sale of its D2C brokerage businesses (Group First, RSC, Embrace Financial Services and F2P) to Pivotal Growth in Q1 2023 (for further details see note 34 to the Financial Statements).
- We have continued to focus on developing core technology platforms, new data driven product opportunities and Divisional restructuring plans across the Group, to simplify the Group, drive growth and improve profitability.
- Each Division operate risk management arrangements which also promote environments supporting sustainable growth. During the year, we strengthened Divisional risk-governance arrangements, including appointing new senior risk-related roles (further details are provided in the Audit & Risk Committee Report on page 67).

Our risk profile:


- We consider that all our principal risks and uncertainties are currently within our risk tolerances. As detailed in our Matters Reserved for the Board Policy, the setting of risk appetite is a matter for the Board and is considered by the Audit & Risk Committee in its risk reviews.
- The overall trend of our aggregated risks is increasing, as a result of worsening economic conditions in housing and labour markets (arising due to high inflation and high interest rates), more sophisticated IT security threats and the introduction of new regulations.
- We have removed COVID-19 from our list of principal risks and uncertainties, due to the effects of vaccinations, lower infection levels and business practices adapting to a resilient hybrid or remote working model.
- Other significant risk areas also exist, which are not listed in our principal risks and uncertainties summary below, such as financial control, liquidity and fraud risks.
- Further detail on our principal risks and uncertainties, including gross risk trends and risk management themes, are provided in the following table.

Principal Risks and Uncertainties


Nature of principal risk and uncertainty	Mitigating actions	Gross trend (pre-mitigating actions)
EXTERNAL:		
1. UK housing market		
<p>The cyclical nature of the UK housing market exposes the Group to volatility in housing transaction volumes.</p> <p>Recent adverse macroeconomic conditions have affected the housing cycle. Also, the relevance of our strategic focus in other distinct markets which are impacted differently, such as those for mortgage and protection products.</p>	<ul style="list-style-type: none"> We are driving growth in our Financial Services Network through separate strategies for the mortgage and insurance markets, thereby reducing the Group's exposure to a cyclical housing market. The Surveying & Valuation strategy includes diversification into D2C channels and data service offerings to lenders, which are not tied to housing market transaction volumes. We stress test market scenarios, have opportunities to flex our scalable cost base and have a UK-wide spread, to reduce cyclicity and avoid over-exposure to local market factors. 	<p>Increasing</p> 
2. Market disruption		
<p>We may be exposed to competitive pressures from market participants, including new entrants, disruptor business models and disintermediation threats.</p> <p>This could include the impact of direct sales mediums, tech-driven market entrants and digital service alternatives.</p>	<ul style="list-style-type: none"> We monitor disruptor activity within each of our markets and where appropriate respond by adapting our businesses to remain competitive. We have developed digital opportunities, new technology platforms, alternative product offerings, and ways of working to improve efficiency and the customer experience. We are delivering investment and restructuring opportunities, including expanding our joint venture activities (Pivotal Growth). 	<p>Stable</p> 
INTERNAL:		
3. Execution of growth strategy		
<p>We need to effectively execute strategic initiatives, to deliver required levels of Group growth.</p> <p>Colleague experience, skills and expertise, technology choices and governance routines are all important for supporting our decision making and strategic delivery. The risk is increasing because of the impact challenging market conditions are having on people and financial resources.</p>	<ul style="list-style-type: none"> We are implementing key high priority strategic projects driven by Executive Committee members, with governance routines involving oversight from the Group CEO, Group CFO and the Board. The Group CSO and Group COO support strategy development and implementation. We are restructuring our Divisions and developing new target operating models across the Group which, together with the making of new senior appointments, will support the delivery of our strategy. We have governance routines within each Division to support new technology and product initiatives, with due diligence, modelling and the integration of acquisitions and investments. 	<p>Increasing</p> 
4. Professional services		
<p>We may receive claims arising from systemic lapses in the delivery of professional services across LSL.</p> <p>Relevant risk factors include lending practices, mortgage product types/mix, economic conditions and the adequacy and availability of insurance to cover potential claims.</p>	<ul style="list-style-type: none"> Our Divisional and Group values and cultures seek to promote appropriate colleague conduct and positive customer outcomes. We limit our exposure to products with higher risk features and complexities. For example, our Financial Services Network businesses do not have responsibility for the supervision of investment advice and the mortgage valuation activities in Surveying & Valuation are linked to mainstream and not sub-prime lending. We have adopted a 'three lines of defence' approach to oversight routines, which includes quality assurance, Internal Audit and complaints/claims handling functions. We have governance routines to ensure we identify and put in place appropriate insurance arrangements. 	<p>Stable</p> 

Client Concentration		
<p>Significant falls in business volumes could arise from the loss or withdrawal of key B2B clients, brokers and/or franchisees.</p> <p>It is vital to maintain service delivery levels and relationships with key B2B clients, brokers and/or franchisees.</p>	<ul style="list-style-type: none"> Our Divisional and Group values and cultures seek to promote the importance of delivering good customer service and experiences. We benchmark our product and service propositions, to ensure we are delivering the best value versus market-leading standards. We conduct corporate client due diligence exercises, including risk profiling of product portfolios for both prospective and current clients. Dedicated relationship managers closely monitor service levels, operating dependencies and compliance with contractual terms. 	<p>Stable</p> 
6. Business Infrastructure (including technology)		
<p>We may fail to maintain robust systems and technology to promote our competitiveness and client servicing.</p> <p>This includes during the consolidation of IT platforms across brands or multiple change management initiatives, as well as maintaining resilient 'BAU' IT systems.</p>	<ul style="list-style-type: none"> Our Data and Information Security Committee (which reports to the Group CEO) sets minimum Group policy standards for information security and IT matters, including coverage of continuity and recovery routines, capacity constraints, third party dependencies and insurance arrangements. We have appointed a new chief technology officer in the Financial Services Division. We monitor IT service delivery to clients and business associates, which include ARs and franchises. 	<p>Stable</p> 
7. Information security (including data protection and cyber threats)		
<p>We could suffer a major loss of data resulting in business interruption, reputational damage, and/or regulatory exposure.</p> <p>Risks are increased by international cybercrime threats and supplier dependencies for both systems provision and data management.</p>	<ul style="list-style-type: none"> We have dedicated Divisional information security specialists and Data Protection Officers, within a Group governance framework involving base policy standards and Group arranged cyber insurance. The Data and Information Security Committee coordinates our efforts across the Group on minimum standards. We provide Group IT resource and colleague training and awareness programmes. We conduct routine deep dives on technical areas, followed by Group-wide expertise sharing. System security is supported by penetration testing, intrusion scanning, secure back-up routines, encryption of key data and a robust access control framework. 	<p>Increasing</p> 
8. Regulatory compliance		
<p>Financial sanctions or reputational damage could result from non-compliance with laws and regulations.</p> <p>Our regulatory landscape includes FCA rules and consumer protection laws. Recent areas of regulatory focus include tenant safety and welfare, environmental standards, consumer duty requirements and compliance with the new AR regime.</p>	<ul style="list-style-type: none"> Our Divisional and Group values and cultures prioritise fairness, transparency, health and safety awareness and monitoring regulatory reforms. Our client's financial wellbeing is at the heart of our Financial Services business model. The Group CEO has communicated a zero-tolerance policy for any significant weaknesses leading to regulatory breaches. The Group risk arrangements are supported by investment in specialist oversight roles (for example, conduct risk expertise and the appointment of a new Financial Services independent non executive director onto the Financial Services Network boards). We exercise oversight across all 'three lines of defence', and initiate change management projects with external consultative input as necessary. 	<p>Increasing</p> 

Principal Risks and Uncertainties

<p>Failure to identify and deliver on our ESG commitments could affect our productivity, reputation, and/or market value.</p> <p>Our recent focus areas include recruitment and management practices to promote diversity and inclusion, environmental initiatives and Group governance arrangements.</p> <p>Due to the nature of our operations and business model, we expect the impact of climate-related risks to be relatively low. Over the medium to the longer term we expect greater physical impacts and transition risks associated with regulatory changes which could each result in the risk increasing. Our risk is being monitored for any change.</p>	<ul style="list-style-type: none"> • The Group CEO sponsors our Living Responsibility strategy and programme which includes priorities which are led by members of the Executive Committee. • Our Living Responsibility priorities include diversity targets (for our Board, its Committees and the Senior Management Team), wider workforce targets, community projects, customer service initiatives, energy saving schemes and a net zero carbon objective by 2040 (see ESG Report – page 30 and our Living Responsibility Report). • We engage with colleagues via the Group's colleague forums, Divisional working groups, colleague surveys and through training initiatives. 	<p>Increasing</p> 
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10. Employee resources, talent and expertise

<p>Failure to attract, develop and retain talented colleagues may affect our ability to deliver our strategic priorities (including strategic projects).</p> <p>The risks are heightened by ongoing labour supply shortages in the UK.</p>	<ul style="list-style-type: none"> • We have governance routines, policies and initiatives, overseen by the Remuneration and Nominations Committees, to recruit and retain talent in key strategic roles. • We have undertaken restructuring within the Divisions including the appointment into new senior roles (such as a new independent non executive director and chief technology officer within Financial Services). • We have technology-based initiatives to harness new sales mediums. • We use colleague surveys, our colleague engagement forums, culture audits and welfare initiatives as ways to identify and address colleague pressures. 	<p>Increasing</p> 
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2023 plans

- Our plans for 2023 include further Group-led definition of Divisional risk treatment, risk acceptance and risk escalation routines.
- Management Teams across all three Divisions are encouraged to devote more time to their risk management agenda as part of their Divisional governance cycles. We will also continue to invest in important softer routines, such as colleague 'speaking-up' initiatives, to maintain an honest and open risk management culture.
- We will continue to progress our Living Responsibility strategy and programmes, which includes managing ESG-related risks, promoting diversity and inclusivity, and encouraging community and environmental (for example TCFD) initiatives.
- Our Internal Audit plans will increase their focus on assessing the effectiveness of emergent regulations and second line oversight routines.
- We will also strengthen our horizon-scanning routines, reassess our risk management resourcing and evaluate the effectiveness of linkages between relevant Group and Divisional risk framework structures.

Our viability

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

Assessment of prospects

This section of the Report describes how the Directors have considered and reported on the Group's prospects. Our business model and strategy are central to understanding our prospects and are detailed earlier in this Report (page 12).

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

The Board assesses the Group's prospects throughout the year and particularly during the strategic, three year and budget processes. This includes an annual review of our ongoing plans which is led by the Group CEO and Group CFO and involves input from Executive Committee members who represent our Divisions and Group/head office functions.

The Directors participate in the annual planning processes. Part of the Board's role is to consider whether our plans take appropriate account of the changing environment, including macroeconomic, political and geopolitical, regulatory, technological and climate-related matters.

This process results in the Board adopting strategic objectives and detailed financial forecasts over a three year period, which we refer to as the three year plan. The Board adopted the latest updates to the three year plan in December 2022. In making its decision, the Board considered our current position and our prospects of operating over the three year period ending 31 December 2025, and reaffirmed our strategy.

Assessment of viability

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

For the purposes of assessing the Group's viability, we determined that a three year period ending on 31 December 2025 was appropriate, as it was consistent with the Board's strategic planning cycle. Our assessment took into account the Group's current position and prospects, the Board's risk management arrangements and the Group's principal risks and uncertainties.

To make this assessment, we considered several severe but plausible scenarios that stress test our business performance. The scenarios modelled are based on input from a functional group of senior managers, including representatives from the Divisional finance teams. The Group's base forecast and scenarios assume all three Divisions continue to operate.

The viability scenario modelled reflected the following risks:

- a severe downturn in our markets in which housing market transactions decrease by an average of 25% versus 2022, similar to the level seen during the last recession in 2008, caused by either, or a combination of, economic (such as high inflation and interest rates and reduced availability of debt funding), political and other uncertainties;
- the loss of a major contract (top five lender, which has not occurred for over five years) and a PI risk event in the Surveying & Valuation Division reflecting a significant increase in valuation claims; and
- a material one-off regulatory fine over £1m following a data breach, assuming any insurance recovery would not occur within the planning window.

Detailed assumptions were modelled by month across the three year period. The models included both the individual and the aggregate impact of the risks above, and measured the downside impact on revenue and the actions we would take to retain cash reserves and maintain our operations, such as suspending capital expenditure, which is within our control. We have also considered climate-related impact, but our current assessment is that this would not be material enough to impact our viability during the planning window.

We also modelled further scenarios to reflect the business disposals completed during Q1 2023. The results did not alter the conclusions reached by the Directors and the Board. Further detail on the businesses disposed can be found in note 34 to the Financial Statements.

We also made assumptions about the stability and potential growth of the Group's recurring income and counter-cyclical businesses, notably mortgage and insurance renewals, lettings and asset management which account for c79% of Group Revenue, and the extent to which we could quickly ramp up some activities, such as remote valuations, in extreme market conditions. The modelling and assumptions took account of our broad range of services across the UK, which gives us some protection from the impact of stress scenarios.

The stress testing indicated that the Group would be able to withstand the financial and operational impact of each scenario and therefore continue to operate and meet its liabilities, as they fall due, over the three year period ending 31 December 2025. Under all the modelled scenarios, the Group had sufficient liquidity throughout the going concern period and to the end of the planning period in December 2025. Funding for the Group has been further strengthened with the restatement and amendment of the Group's banking facility of £60m, which was completed in February 2023 for a period up to May 2026, replacing the previous £90m facility.

We also modelled significantly more severe reverse stress scenarios, to assess the level to which market conditions would have to deteriorate before we would reach our banking covenant ratio of 2.75x Net Debt: adjusted EBITDA (with a ratio of 3.00x allowable for two consecutive test periods once during the renewal period). Excluding any action we would take to retain cash reserves and maintain our operations, the modelling indicated that UK housing market transaction activity would have to fall to a level 7% below the financial crisis of 2008 in the first year of assessment with no material recovery, which is equivalent to a 37% fall in comparison to 2022, of which we consider the likelihood to be remote.

Directors' viability statement

Based on their assessment of the Group's prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years, and that the likelihood of extreme scenarios which would lead to a breach of covenant is remote.

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

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

During 2022, the Audit & Risk Committee oversaw the process by which the Directors reviewed and discussed Management's assessment in proposing this viability statement.

Environmental, Social and Governance (ESG) Report

Non-Financial Information Statement

This section of the Strategic Report constitutes LSL's Non-Financial Information Statement and is produced to comply with Sections 414CA and 414CB of the Companies Act 2006.

Reporting Requirement	Relevant Policy/Code	Section within Annual Report
Environmental Matters	<ul style="list-style-type: none"> • Living Responsibly Report • Environmental Policy 	<ul style="list-style-type: none"> • ESG Report page 30 • Report of the Directors page 49
Colleagues	<ul style="list-style-type: none"> • Combined Ethics Policy • Health and Safety Policy • Living Responsibly Report 	<ul style="list-style-type: none"> • ESG Report page 30 • Stakeholder Engagement Arrangements page 21 • Report of the Directors page 49
Human Rights	<ul style="list-style-type: none"> • Anti-Slavery and Human Trafficking Policy contained within the Combined Ethics Policy • Living Responsibly Report 	<ul style="list-style-type: none"> • ESG Report page 30
Social Matters	<ul style="list-style-type: none"> • Combined Ethics Policy • Living Responsibly Report 	<ul style="list-style-type: none"> • ESG Report page 30 • Stakeholder Engagement Arrangements page 21 • Corporate Governance page 54
Anti-Bribery and Corruption	<ul style="list-style-type: none"> • Anti-Bribery and Corruption Policy and Whistleblowing Policy contained within the Combined Ethics Policy 	<ul style="list-style-type: none"> • ESG Report page 30 • Corporate Governance Report page 54
Principal Risks		<ul style="list-style-type: none"> • Principal Risks and Uncertainties page 25
Business Model		<ul style="list-style-type: none"> • Purpose, Strategy, Culture, Values and Business Model page 12
Non-Financial Key Performance Indicators		<ul style="list-style-type: none"> • Financial and Divisional Reviews page 13

Summaries of the policies referred to above are available at [lslps.co.uk](https://www.lslps.co.uk)

In 2021 we launched our Living Responsibly strategy and published our first standalone Living Responsibly Report, outlining our organisational approach and demonstrating our commitment to being a responsible and sustainable business. This section of the Report summarises our Living Responsibly work in 2022 and includes ESG information required to be included in this Report. For further details on our wider approach to being a responsible and sustainable business, please see our separate Living Responsibly Report (available at [lslps.co.uk](https://www.lslps.co.uk)).

Our approach

The Board approves our Living Responsibly strategy annually and the Board receives biannual updates on the progress of our programme. Our Group CEO, David Stewart, is the executive sponsor of our Living Responsibly programme, and overall responsibility now sits with our Group HR Director, Debra Gardner, having moved in 2022 from our Group CSO, who oversaw the programme's launch. Our values and culture – having the right people, doing the right thing in the right way – underpin our approach to Living Responsibly including ESG.

We have established a Living Responsibly Steering Committee, which reports into David and sets our sustainability strategy, considering input from our three Divisions and from our head office/Group functions.

We also engage with stakeholders on ESG related matters. Further information on this is set out in the Stakeholder Engagement section of this Report (page 21), which includes examples of how the Board considered stakeholder views in its decision making in 2022.

Our colleague forums and Environmental Working Group are core to our internal stakeholder engagement, enabling us to align and refine colleague and organisational priorities. Each forum and the Environmental Working Group has its own Executive Committee sponsor.

The diagram below illustrates how these groups work together to guide our approach:



Information about our ESG related risks are included in the Principal Risks and Uncertainties section of this Report (page 25).

The table below illustrates our overall approach and five current priorities, together with their Executive Committee leadership under the Living Responsibly programme at the date of this Report:

Living Responsibly				
Executive Committee Sponsor	Executive Committee			Executive Committee Sponsor
1. Increasing the diversity of our Board and workforce	2. Building an inclusive culture where colleagues are supported to thrive	3. Supporting colleagues to connect with our communities	4. Minimising our environmental footprint	5. Ensuring excellent governance through increasing Board diversity and maintaining excellent governance across the Group

Notes:

¹ During 2022 the Executive Committee sponsor for workforce diversity was Helen Buck and Jon Round took over from 1 April 2023.

² John McConnell was Group HR Director during 2022 and the Executive Committee member responsible for progressing engaging, supporting and investing in our colleagues.

Progress against each of our five Living Responsibly priorities is set out below.

People

Our people are central to our Living Responsibly programme, and our impact on and investment in the society and communities we operate in. We seek to employ the right people: this is a mix of people who reflect the communities and customers we serve.

Environmental, Social and Governance (ESG) Report

We look to do the right things: people are our barometer for this. We want to invest in and effectively support our colleagues, as well as getting behind the priorities they identify.

Increasing the diversity of our Board and workforce

2022 review

Our Inclusion, Diversity and Equality (ID&E) vision:

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

Our ID&E goal:

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

In the Annual Report and Accounts 2021 we shared our ID&E pillars – Creating Awareness, Continually Improving our Practices and Promoting Opportunity. Some highlights of our activity within these categories are shown below:



Creating awareness of ID&E themes through:	Continually improving our practices through:	Promoting opportunity through:
<ul style="list-style-type: none"> Group-wide Inclusion Matters and Unconscious Bias training. Passport to Recruit training for hiring managers (83% completion, representing 447 hiring managers). Our Inclusion and Diversity Forum, which has gone from strength to strength, meets regularly and inputs on key actions and decisions. It is now established as a source of expertise and is involved in regular consultation exercises as we develop our policies and arrangements. Recruiting and training 15 Disability Champions across the Group, in partnership with Disability Rights UK¹. Recruiting and training mental health first aiders in our Surveying & Valuation Division. 	<ul style="list-style-type: none"> Reviewing our family friendly policies including improving our parental leave offering, introducing a baby loss policy, a fertility policy, menopause policy and a pregnancy toolkit (accessible anonymously). Laying the foundations for better diversity data capture, which we plan to build into our Group HR system in 2023. Designing and launching a Disability Passport where colleagues can transfer reasonable adjustments as they move roles within the organisation. Signing up to the CBI's Change the Race Ratio² which will provide us with a peer group who are seeking the same improvements in their organisations. 	<ul style="list-style-type: none"> In November 2022 achieving Disability Confident employer status³, signalling to current and potential employees our commitment to development for all. Working with RNIB⁴ to consider the accessibility of our roles to those with sight loss. Selecting recruitment partners who are committed to promoting inclusion and diversity and demonstrate this by signing up to the Government's Standard Voluntary Code of Conduct for Executive Search Firms⁵ or equivalent standards. Building our applicant tracking system to include diversity information, to support better analysis of candidates applying for roles and more targeted action to diversify our workforce.

Notes:

¹ disabilityrightsuk.org

² changetheraceratio.com

³ gov.uk/government/collections/disability-confident-campaign

⁴ rnib.org.uk/living-with-sight-loss/equality-and-employment/employers/make-your-workplace-safer-for-employees-with-sight-loss/

⁵ gov.uk/government/publications/standard-voluntary-code-of-conduct-executive-search-firms/the-standard-voluntary-code-of-conduct-for-executive-search-firms

Further details on our activities in these areas can also be found in our Living Responsibly Report.

During 2022, we worked towards the diversity targets which we adopted in our Diversity Policy and we worked towards setting workforce targets. We have included some initial targets in the table below, and will work to refine these during 2023 and beyond:

Category	Gender	Ethnicity
Board	a. at least 40% are women; and b. at least one woman in the role of Chair, Group CEO, Group CFO, or Senior Independent Director.	At least one Director from a minority ethnic background.
Executive Committee	At least 33% are women.	At least 11% are from a minority ethnic background.
Senior Management Team	At least 33% are women.	At least 11% are from a minority ethnic background.
Workforce	No target set as the current gender composition of our workforce is considered to be balanced. Please see below.	<ul style="list-style-type: none"> At least 7% are from a minority ethnic background. 16% of new hires are from a minority ethnic background.

During 2022, we have been building our capacity to capture diversity data within our Group HR system. This involved asking colleagues to anonymously provide diversity information as part of our annual survey, to support our understanding of the make-up of our workforce. We used the same approach to capture data in 2021, and both years' data is shown in the table below. Data showing our ethnic diversity following the disposal of the Group businesses completed since the year end is set out in the Living Responsibly Report.

	31 December 2022		31 December 2021	
	White	Non-white/ Ethnic minority	White	Non-white/ Ethnic minority
Directors ¹	100%	0%	100%	0%
Executive Committee ¹	78%	22%	78%	22%
Senior Management Team ²	90%	10%	90%	10%
All employees ³	94%	6%	95%	5%

Notes:

¹ 'Directors' includes both Executive Directors and Non Executive Directors. The Corporate Governance Report includes gender and diversity data in relation to our Board and Executive Committee.

² 'Senior Management Team' includes the Executive Directors, and the Executive Committee and their direct reports, excluding PAs and administrators and excludes any changes made after this date.

³ 'All employees' includes Directors and members of Senior Management Team.

The data above shows that we have during 2022 begun to make progress in improving the ethnic diversity of our workforce, and that we still have more to do to improve both the diversity of our workforce and data collection to fully understand it.

In 2022, we used the 2021 census data which was published late in the year, to benchmark the composition of our workforce. The census revealed that 16% of the UK population identify as non-white or ethnic minority, when weighted for the regions we operate in. In 2022, we increased the proportion of non-white and ethnic minority employees by 1%. In addition to this, 14% of our new recruits identified as non-white or ethnic minority. Although we do not have data to compare this to from the previous year, this shows that our recruitment arrangements across the Group are attracting and recruiting ethnic minority individuals close to the census data target. We have committed to work with the CBI via its Change the Race Ratio which we signed up to at the start of 2023, and we intend to adopt more detailed colleague diversity targets, in line with our commitment to increase our diversity overall.

Environmental, Social and Governance (ESG) Report

	31 December 2022				31 December 2021			
	Female		Male		Female		Male	
Directors ¹	33%	3	67%	6	25%	2	75%	6
Executive Committee ²	22%	2	78%	7	22%	2	78%	7
Senior Management Team ²	28%	16	72%	41	30%	16	70%	38
All employees ³	53%	2,364	47%	2,088	53%	2,444	47%	2,173

Notes:

¹ 'Directors' includes both Executive Directors and Non Executive Directors. The Corporate Governance Report includes gender and diversity data in relation to our Board and Executive Committee.

² 'Senior Management Team' includes the Executive Directors, and the Executive Committee and their direct reports, excluding PAs and administrators and excludes any changes made after this date.

³ 'All employees' includes both Directors and Senior Management Team.

Data showing our gender diversity following the disposal of the Group businesses completed since the year end is set out in the Living Responsibly Report. Over time we would like to improve the gender balance within our leadership teams in line with the gender balance we have within our workforce, which is more balanced. We have not yet met our interim targets to have 33% of the Senior Management Team female or 11% of the Senior Management Team from a non-white or ethnic minority background and we will continue to work on this through 2023. Further colleague data is shown in the table below.

	31 December 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
Total employees	4,452	4,617	4,335	4,772	5,463
Total voluntary employee turnover (%)	30.5	28.1	17.4	26.7	27.0
Male (%)	47%	47%	49%	47%	47%
Female (%)	53%	53%	51%	53%	53%

As part of our annual colleague survey, we asked colleagues to provide us with information on their gender identity, which may differ from legal sex, and enabled individuals to identify as non-binary or other gender identity. As an employer we also hold information on employees' legal sex, as required by relevant laws and regulations, as this dataset is complete it has been chosen for disclosure in this Report. This will be kept under review as we improve our colleague data collection methodology. We have used colleague gender identity to undertake internal analysis of the colleague survey to inform our wider diversity and inclusion strategy.

During 2022, Internal Audit reviewed our ID&E priorities and activities, as part of its annual programme of audits. The audit identified a number of successes, as well as noting that our Board and Senior Management Team composition is not in accordance with the diversity targets adopted by the Board and set out in our Diversity Policy. For further explanation on this, see the Corporate Governance Report on page 54.

2023 priorities

As we look to 2023, our priorities are to:

- Build on the success of 2022 and focus on trust and capability around diversity data sharing across the Group.
- Use data to understand the experiences of female, non-white and ethnic minority colleagues' career progression through the Group, with the objective of ensuring that we align the proportions at senior levels with the workforce as a whole.
- Further increase the diversity of the workforce, especially in areas and regions where we are under-represented when compared with the regional census data.

Building an inclusive culture where colleagues are supported to thrive

2022 review

This work is centred on engaging, supporting and investing in our colleagues, and hinges on our ability to listen to them and identify their needs and interests. The annual survey and our colleague forums are central to guiding this work.

Our people programme includes three Group-wide colleague engagement forums:

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

Further information on the Employee Engagement Forum can be found below and in the Stakeholder Engagement Report (page 21). The Communities and Inclusion and Diversity forums meet approximately monthly online and seek to meet in person where this is possible. In 2022 they had two face-to-face conference days (May and November).

The Communities and Inclusion and Diversity forums were established in 2021 and during 2022 they have continued to be supported by Executive Committee members: Helen Buck (Inclusion and Diversity) and Sapna B. FitzGerald (Communities). From 1 April 2023, the Inclusion and Diversity Forum is supported by Jon Round.

The membership of both forums was refreshed in 2022, including the appointment of new chairs. The forum chairs are financially compensated for their roles and report directly to David Stewart, providing him with regular updates on their work and member views.

Examples of 2022 forum initiatives are included in our Living Responsibly Report.

Oversight of colleague matters, including ensuring equal opportunities are promoted in the Group, rests with the Group HR Director and is supported by the Employee Engagement Forum. The Employee Engagement Forum met monthly (remotely) during 2022 and twice in person with Darrell Evans, our designated Non Executive Director for workforce engagement in attendance. The Remuneration Committee and the Board took into account feedback from this forum when it made the decision to award a one-off cost of living payment to lower-earning employees at the end of 2022. This award was in addition to the £500 share award made to all colleagues earlier in the year.

In 2021 we committed to progressing signing up to a charter to support our work on diversity which was initially proposed by the Nominations Committee following the publication of the second Parker review in 2020. During 2021 the Inclusion and Diversity Forum was asked to assist with identifying which charter would suit us best. With their support we are delighted to have become a signatory of the CBI's Change the Race Ratio in 2023 and we are looking forward to working with the CBI to increase our diversity and improve our workforce engagement.

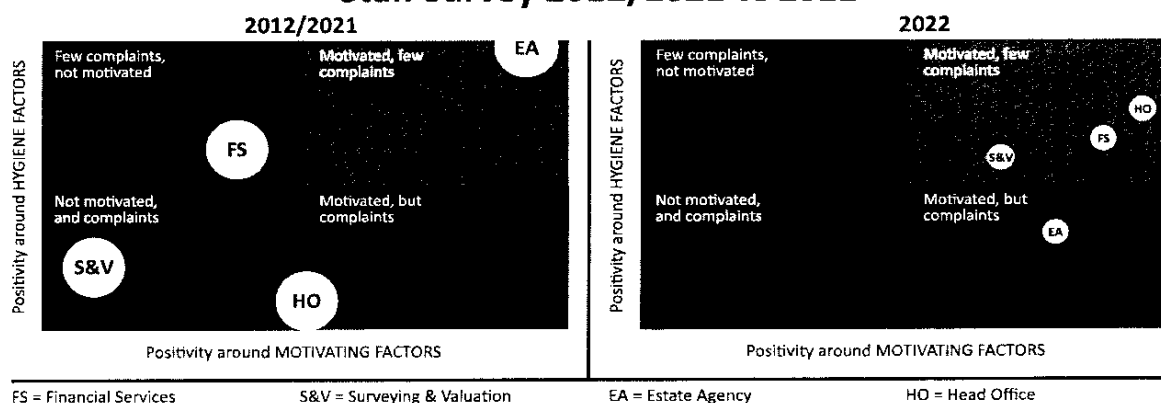
Colleague feedback

The Board receives colleague feedback via the Group's opinion surveys, which we undertake across our businesses. The colleague opinions captured are then presented to the Executive Committee and the Board, as part of a regular review of colleague matters. Key performance indicators such as labour turnover and responses to key survey questions are also monitored, to measure morale and review culture.

The colleague opinion survey – 'Have your say' – also provides the Executive Committee and the Board with insight into what factors concern and motivate the Group's employees and contribute to action plans and focus actions across the Group. The survey process is regularly evaluated and developed, to maximise the validity and reliability of the data captured.

The 2022 survey covered all aspects of our working environments. This included culture, training, careers, performance and communications, together with questions on the effectiveness of Group companies' management and leadership. The response to the survey was positive, with 2,506 (2021: 3,119) employees taking part, a 61% response rate across the Group (2021: 76%). Market factors, personal earnings and experiences can affect scores and participation rates, so the timing of the annual survey is under review.

Staff Survey 2012/2021 vs 2022



- Analysis of previous surveys and 2022 data show a marked improvement overall across the Group: all colleagues completing the survey are shown to be motivated, although Estate Agency Division dropped into the 'motivated but complaints' quadrant, indicating mild dissatisfaction against some measured questions.
- Sentiment from the survey in the Estate Agency Division centred on hybrid working and the cost of living. This survey was undertaken before the one-off cost of living payment was announced for lower-paid colleagues and we believe that the results would have been more positive had the survey been undertaken after the announcement, because the feedback we received post-announcement was positive.
- Head office/Group functions, who have more flexibility in their working environments due to the nature of their roles, scored highest. The Financial Services Division also saw a big shift in motivation. The Surveying & Valuation Division shifted positively in all areas.

Environmental, Social and Governance (ESG) Report

- The responses in the 2022 survey were positive overall suggesting an increase in colleague engagement across the Group. Business areas are looking at the items stated as needing most improvement and the intention is to communicate with colleagues more regularly around 'you said, we did'.

We have also analysed survey responses using the diversity characteristics that have been shared with us. In some instances, this has highlighted different experiences for groups of colleagues.

Our Inclusion and Diversity Forum has been working through 2022 to launch colleague resource/affinity groups across the Group. These are referred to as LSL Voices and the initial launch will include five groups during 2023. We will be working closely with LSL Voices through the Inclusion and Diversity Forum, to look at how we can improve our working environment and culture for the benefit of all.

Colleague training and policies

David Stewart has overall responsibility for colleague matters, with Debra Gardner responsible for our employment policies and practices. Our Internal Audit team undertakes colleague awareness audits of our policies, and the Board receives regular Group HR reporting, which includes indicators such as staff turnover. Policies audited in 2022 included 21 as part of the audit of our ID&E work and six used to inform a Governance and Culture review project. The reviews reported that colleague awareness of policies was low. Group HR has committed to reviewing these procedures and communicating the work to colleagues to raise awareness of the business's commitments to colleague welfare. In addition to this, plans are in place to launch an LSL corporate induction programme in 2023 which will include policy signposting, with particular attention given to the Disciplinary Policy, Employee Voice Policy, Grievance Policy and Stress and Mental Wellbeing Policy.

In addition to our suite of Group and Divisional colleague policies, the table below highlights some specific policies which support us in our Living Responsibly programme. Some are new and have been developed as a direct result of feedback from our colleague forums. The table below also highlights how the policies linked to our Living Responsibly priorities.

Living Responsibly priority	Policy	Scope	Published/last reviewed
1, 2	1. Family friendly	Supporting colleagues with their work life balance.	September 2020
1, 2	2. Equality and diversity in the workplace	Ensuring fair treatment for all colleagues.	September 2020
1, 2	3. Pregnancy loss	Outlines the support available for colleagues who suffer the loss of their unborn child.	March 2022
1, 2	4. Fertility	Outlines the support available for colleagues undergoing fertility treatment.	October 2022
1, 2	5. Menopause	Supporting colleagues to access appropriate support when going through the menopause.	March 2022
1, 2	6. Stress and mental wellbeing	Outlines the actions the organisation is taking to promote a healthy work environment and the support available for colleagues.	January 2022
4	7. Environmental	Outlines the organisational approach and individuals' roles in improving the sustainability of the Group and minimising our environmental footprint.	April 2021
5	8. Data Information Security Framework	Includes policies relating to colleague data protection and information security arrangements.	May 2022
3, 5	9. Combined ethics	Outlines the Group's approach to anti-bribery and corruption, anti-slavery and human trafficking, conflicts and personal interest, tax evasion, whistleblowing and fraud.	May 2021

In relation to the Group's Information Security Framework (Policy 8), all colleagues undertake an annual update of their information security training to ensure ongoing compliance with laws and regulations. For further details of internal controls, see the Audit & Risk Committee Report on page 67.

With respect to our recruitment arrangements, we aim to appoint the best candidates based on suitability for the job and to treat all colleagues and applicants fairly, regardless of any characteristic or background, and to ensure that no individuals suffer harassment or intimidation. To support this work, in 2021 we signed up to the Recruitment and Employment Confederation's Good Recruitment Charter¹, which involved a gap analysis to identify areas of improvement in our approach. During 2022 we have been addressing the improvements which were identified and further improvements are planned for completion in 2023.

Details of our training arrangements, including our 2022 expenditure, can be found in the Living Responsibly Report.

¹ rec.uk.com/employers/grc

Colleague health, safety and welfare

Adam Castleton, Group CFO, is responsible for Group health and safety arrangements. A Health and Safety Policy is in place to ensure the wellbeing and safety of colleagues, visitors, members of the public and contractors. The Board receives biannual reports on health and safety matters and the Health and Safety Policy is reviewed annually and submitted for Board approval. We have procedures in place to comply with all relevant laws and regulations.

We are committed to doing everything reasonably practicable to maintain a safe working environment, through processes which are designed to identify and manage hazards and accident reporting procedures to prevent colleague injuries. Details of reported hazards and accidents form part of the monthly health and safety reporting to Adam Castleton. Training supports health and safety awareness through the Induction Module for new colleagues and a Health and Safety Module issued annually to all colleagues. Additionally, all colleagues have a duty to do everything possible to prevent injury to themselves and to others, and to exercise responsibility.

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

Following the launch in 2020 of various mental wellbeing initiatives, including the expansion of an Employee Assistance Programme (EAP) and the 2021 app launch, in 2022 e.surv piloted mental health first aiders across the business. We will review their impact during 2023 with a view to rolling out the scheme across the Group.

2023 priorities

- Continue to work with our colleague forums and the new LSL Voices networks to improve our culture and practices.
- Review our external survey provider to ensure best practice data collection and alignment with external benchmarks.
- Review the impact of mental health champions in e.surv and consider their roll out across the Group.

Supporting colleagues to connect with our communities

2022 review

Our businesses are firmly rooted in our local communities. We have a long history of investing in community initiatives and our Board recognises that good community relations are fundamental to our sustained success. Through our communities programme, we support our businesses and their investment in their local communities. We are sensitive to local communities' cultural, social and economic needs and are committed to acting responsibly wherever we operate.

We believe that working in partnership with our communities consistently is the most effective way to achieve objectives and lasting change. Our Communities Forum drives our Group-level priorities around community engagement, which complement Divisional and other colleague initiatives.

During 2022, we:

- Launched a Colleague Community Day across our Financial Services Division. This gave individuals and teams time off work to support a local initiative. This was a pilot scheme and we are considering rolling the initiative out across our other Divisions and our head office/Group locations.
- Piloted a matched funding initiative across the Group, inviting colleagues who are fundraising to seek matched funding for the causes that matter to them. In total, the Group matched £7,170 of colleague fundraising.
- Ran four Group-wide community focused initiatives – Litter Picking Week (March), Act of Kindness Week (June), Food Bank Week (September) and Goodwill Month (December). This was the second year for all of these initiatives and the same four are in planning for 2023, with the Litter Picking Week completed in March.

The initiatives are promoted to all colleagues, including Directors who have also participated in some of the community initiatives during 2022 and you can read more about the success of our community initiatives in our Living Responsibly Report.

2023 priorities

- Continue the delivery of our four annual Group-wide community focused initiatives and build on their success in 2022.
- Continue to roll out matched funding and colleague volunteering initiatives across the Group.

Place

As part of our commitment to working in the right way, we focus on caring for the physical environment we work in and ensuring excellent governance.

Environmental, Social and Governance (ESG) Report

Minimising our environmental footprint

Working in the right way includes minimising our impact on the planet and the environment. Whilst the emissions from our operations are relatively low, we recognise the importance of considering our environmental impact more holistically. Our business relies on the housing sector, which is one of the top four carbon contributors¹.

In our 2021 Living Responsibly Report, we set out our commitments to reduce our emissions in line with the internationally agreed target to keep the global temperature rise to 1.5°C above pre-industrial levels. Our Climate Transition Plan (CTP) includes targets against a 2019/20 baseline. The CTP and our headline progress against targets are illustrated in the table below:

Emissions from direct operations			
Scope 1 Emissions from operations that are owned or controlled by the organisation.		Scope 2 Emissions from the generation of purchased electricity, steam, heating or cooling consumed by the company.	
Target: To reduce Scope 1 emissions by 63% by 2034/5, in line with a 1.5°C trajectory.	2022 progress Achieved: Emissions reduction in line with 1.5°C trajectory.	Target: Reduce Scope 2 emissions to zero and maintain for the foreseeable future.	2022 progress Not yet achieved: Emissions 24 tCO ₂ e.
Gas <ul style="list-style-type: none">From mid-2022, we will procure 100% gas from renewable sources only.	Not yet achieved: One location outstanding to procure renewable gas.	Electricity From 2021, we began procuring the majority of our electricity from renewable sources. During 2022, we progressed to procuring 100% of our electricity from renewable sources for our managed locations.	
Company vehicles <ul style="list-style-type: none">We will transition 57% leased petrol and diesel vehicles to hybrid and electric (EVs) in a phased approach, by 2025.We are actively engaging with our landlords across various site types to determine the correct EV charging solutions for sites.We are planning consultations with Car Allowance Scheme users, with a view to implementing a plan to incentivise a transition away from internal combustion vehicle engines.	On track to achieve: 45% vehicles have transitioned, with a further 26% on order. Charging points installed at FS head office with discussions ongoing at other premises. Car allowance scheme data has been collated and is to be reviewed by EWG and HR.		
Indirect emissions Scope 3 All indirect emissions that occur in the value chain, including upstream and downstream emissions.		2022 Progress During 2022, we committed to quantifying our Scope 3 emissions. In doing this, we have identified which categories of emissions apply to our business, and have begun to collate and analyse the data. We will complete this process in 2023 and submit the data to SBTi* for verification.	

Notes:
* sciencebasedtargets.org

¹ ons.gov.uk/economy/environmentalaccounts/bulletins/ukenvironmentalaccounts/2022

Further analysis of our emissions against the 1.5°C trajectory is included in the Living Responsibly Report.

Greenhouse gas emissions trends

Whilst 2019/20 is our benchmark for our CTP, our five year emissions trends are included in the table below:

(tCO ₂ e)	2021/22	2020/21	2019/20	2018/19	2017/18
Combustion of fuel and operation of facilities (Scope 1)	1,998	2,125	2,517	3,420	3,705
Electricity, heat, steam and cooling purchased for our own use (Scope 2)	24	39	1,139	1,535	2,625
Total Scope 1 and 2	2,022	2,165	3,656	4,955	6,330
tCO ₂ e per FTE employee	0.50	0.52	0.94	1.17	1.27
tCO ₂ e per £m revenue	6	7	14	16	20

Group-wide environmental commitment

Our commitment to the environment goes beyond our emissions. During 2022, each Division has sought to address the climate crisis through its own sphere of influence. In addition to Group-wide progress with reducing our environmental impact, the Divisions have also made progress and further details are included in our Living Responsibly Report with a summary of some of our initiatives set out in the table below:

Financial Services	Surveying & Valuation	Estate Agency
<ul style="list-style-type: none"> EV charging points installed in head office locations. Discussions ongoing in three further locations. Office assessments undertaken across locations to identify energy efficiency opportunities. All offices have stopped purchasing plastic cups, with a number of offices using up existing supplies. Environmental focus within monthly newsletter for all FS colleagues. PRIMIS has joined the Mortgage Climate Action Group. 	<ul style="list-style-type: none"> Launched our Green Watch Newsletter and issued 12 editions to all of our corporate clients and interested colleagues. This has been well received. Delivered sustainability presentations to key lender clients and all e.surv colleagues. Achieved EcoVadis¹ bronze award – EcoVadis is an independent rating agency that assesses environmental performance and corporate social responsibility. Launched 12 Green Commitments and a champion forum to support implementation of these commitments. Committed to achieving ISO 14001² in 2023. Delivered sustainability and climate change training module to all e.surv colleagues. 	<ul style="list-style-type: none"> Installed smart meters and water meters, to support reduction of water and energy use. Installed LED light bulbs in our branches, to reduce energy use. Worked with landlord clients to improve the EPC ratings of their rental properties through the use of EPC+. Engaged with landlords at our multi-tenanted offices and encouraged the installation of EV charging points and recycled waste arrangements. All branches and offices now have recycling and general waste facilities and will continue to improve levels of recycling in 2023.

Notes:

¹ ecovadis.com

² imsm.com/gb/iso-14001

Task Force on Climate-Related Financial Disclosures (TCFD)

We welcome the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and we are using the framework to support the ongoing integration of our Living Responsibly programme which includes our ESG work across the Group. However, as we try and align our approach to the TCFD requirements, including the updated TCFD additional guidance (Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures (2021 TCFD Annex)), which was released in October 2021, there are some recommendations where we are not fully compliant as at the date of this Report. These items will require more time for us to fully consider and implement arrangements to ensure compliance.

Within this Report, in line with Listing Rules requirements (LR 9.8.6R(8)), we have included disclosures which are partially consistent with six of the 11 TCFD recommendations and these disclosures are summarised in the table below. The table below also summarises the steps that we will be taking in 2023 to improve our consistency with the TCFD recommendations.

We will be working to implement the remaining five TCFD recommendations over the course of 2023 and intend to apply these more fully in our TCFD, which will be reported in our Annual Report and Accounts 2023. Our plans to address the areas of non-compliance are summarised out in the 2023 priorities entries in the table below.

Environmental, Social and Governance (ESG) Report

TCFD recommended disclosures

Governance	
<p>Board level oversight of climate-related risks and opportunities</p> <ul style="list-style-type: none"> The Board, with support from the Audit & Risk Committee, has oversight of climate-related risks and opportunities through its sponsorship of our ESG programme. The Living Responsibly Steering Committee reports into and is chaired by the Group CEO. The committee receives reports from the Environmental Working Group (EWG). A proportion of the Executive Directors' annual bonus in 2023 will be related to ESG performance and in particular our progress on climate-related metrics. <p>Management responsibility for climate-related risks and opportunities</p> <ul style="list-style-type: none"> David Stewart (Group CEO) is the sponsor for our Living Responsibly programme which includes climate-related priorities. He has established a Steering Committee which reports into him and the programme is overseen by Debra Gardner (Group HR Director). Debra Gardner is responsible for leading our Living Responsibly strategy and coordinates the reporting of ESG matters including reporting by the EWG on climate-related issues. Divisional risk leads are part of the EWG. 	<p>2022 Achievements</p> <ul style="list-style-type: none"> Sonya Ghobrial, independent Non Executive Director joined the Board in 2022. Sonya has expertise in ESG matters and she provided feedback on our programme and strategy. Sonya also attended the Forums Day in November 2022. <p>2023 Priorities – steps to improve consistency</p> <ul style="list-style-type: none"> Review the frequency of Board information on climate-related matters including through reporting from the EWG. Ensure climate-related risks and opportunities are reviewed in setting Group strategy. Develop the process by which Management identifies, monitors, and assesses climate-related issues. Review how the Board oversees and monitors climate-related targets.
Strategy	
<ul style="list-style-type: none"> As reported in our Annual Report and Accounts 2021, we initiated an analysis of our climate-related risks and opportunities across the Divisions, informing the work of the EWG. In 2022, we intended to embed climate-related risk assessment more fully in our strategic planning process, building on the work from 2021. This work was not completed in 2022 and will be progressed during 2023. <p>Climate-related risks and opportunities the organisation has identified over the short, medium, and long term</p> <ul style="list-style-type: none"> To date, the Group has not identified any material climate-related risks or opportunities that impact the Group's business model, strategy or viability. However, we acknowledge that this may change and develop over time. Further, to date, climate-related issues have not had a material impact on the Group's financial planning process. In the short to medium term, the impact of climate-related risks is expected to be relatively low, due to the nature of our business model. Over the medium to longer term we expect physical risks, such as severe weather (including flooding, increases in temperature and rising sea levels), as well as transition risks such as policy and regulation changes will also materialise. Climate-related opportunities for the Group include the financial benefit of a shift in customer preferences to favour environmentally friendly products and helping people to understand the environmental performance of their properties. The most significant opportunities in the medium to longer term will arise from improvements in our operational resilience, which we expect to see as a result of the climate change transition and adaptation measures being implemented. We will continue to develop our response to climate-related issues and seek to operate our businesses in a manner that meets the expectations of our stakeholders. <p>Impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning</p> <ul style="list-style-type: none"> The Group's CTP was first published in our 2021 Living Responsibly Report and is included in our Annual Report and Accounts 2022. We are committed to being net zero by 2040 and in 2023 will begin the process of validating data and targets through the SBTi. 	<p>2022 Achievements</p> <ul style="list-style-type: none"> Action plans created to respond to risk assessments within each of the Divisions, as well as Group/head office, to address climate exposure. <p>2023 Priorities – steps to improve consistency</p> <ul style="list-style-type: none"> Continue to develop our risk assessment methodology to consider short, medium and long-term climate-related risks as well as opportunities that could have a material financial impact on the Group in the future. Consider the impact that the identified climate-related risks and opportunities may have on business strategy and financial planning. Model scenarios to assess the resilience of the business strategy, taking into consideration different climate-related scenarios (including a 2°C or lower scenario).

- In line with the TCFD recommendations, in 2021 we assessed our climate-related risks, covering both physical risks (ie physical impacts of climate change, such as severe weather, flooding events, increase in temperature and sea level rise) and transition risks (ie risks relating to the transition to a lower-carbon economy in order to avoid the worst physical impacts of climate change, such as policy and regulation changes).
- Further details on our views of our climate-related risks, see above (Strategy).

2022 Achievements

- Climate-related risks identified at an organisational and Divisional level through assessment in 2021. These have been used to set targets and actions through 2022, and each Division is beginning to explore climate-related opportunities.

2023 Priorities – steps to improve consistency

- Further embed climate-related risk into the Group-wide risk management arrangements (including the framework development planned for 2023), focusing on identification and assessment (including materiality of impact), aggregation and reporting.
- Further develop processes for any material climate-related risks identified, including management and prioritisation.

Metrics and targets

Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process, and, Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

- The Group primarily impacts the environment through its use of energy in its leased properties and vehicles and is taking action to reduce impact in this area.
- GHG Scope 1 and 2 emissions in line with the Streamlined Energy and Carbon Reporting (SECR) regulations and in line with GHG Protocol and are detailed on page 38.
- Scope 3 GHG emissions have been reviewed during the year and we intend to complete their quantification in H1 2023.
- We have set targets to reduce emissions on our pathway to net zero. The Group's approach is detailed above.
- During the 2021/22 reporting period, the Group emitted a total of 2,022 tCO₂e from fuel combustion and operation of facilities (Scope 1 direct), and electricity purchased for the Group's own use (Scope 2 indirect). This is equal to 6 tCO₂e per £m of revenue or 0.50 tCO₂e per FTE employee.
- Executive remuneration will continue to include ESG metrics within non-financial measures. In 2023 these will focus on delivery of targets set by the Board, including emissions and diversity improvements.
- We have reported on our greenhouse gas emissions since 2013 and we have consistently reduced our carbon footprint each year. Since 2017, our absolute emissions have decreased by 68%. This has principally been due to the Group's commitment to reducing its carbon footprint and progress on objectives within our environmental policy, as described in later sections of this Report.

2022 Achievements

- Set targets and tracked progress across a broad range of areas.
- Work undertaken to identify Scope 3 emissions across the Group.

2023 Priorities – steps to improve consistency

- Further review environmental metrics and develop Divisional targets to better demonstrate progress and enable different rates of progress to our net zero commitment.
- As part of improvements in risk management, determine key metrics used by the business to measure and manage climate-related risks and opportunities.
- Complete work on Scope 3 emissions and register with SBTi to work towards verification of data.

Environmental, Social and Governance (ESG) Report

- We monitor and report our Scope 1 and 2 emissions (with work on Scope 3 assessment ongoing) through our Environmental Working Group, which reports to our Living Responsibly Steering Committee and to the Board through the Group CEO. Alongside our work to quantify our Scope 3 emissions, we are looking to software solutions to help us manage and report our emissions more regularly. Our operational Scope 1 and 2 targets are aligned to the Paris climate agreement. That is, with measures to limit global temperature rise to 1.5°C above pre-industrial levels. This requires us to halve our operational greenhouse gas emissions by 2030 and achieve net zero by 2050.
- The Group quantifies and reports on its organisational greenhouse gas emissions according to Defra's Environmental Reporting Guidelines and has utilised the 2022 UK Government GHG Conversion Factors for Company Reporting, in order to calculate CO2 equivalent emissions from corresponding activity data. We also utilised data required for compliance with SECR and the Energy Savings Opportunities Scheme (ESOS).
- The emission sources included in this Report fall within the consolidated Financial Statements. We do not have responsibility for any emission sources that are not included within the consolidated Financial Statements. We have not, to date, calculated our fugitive refrigerants from air conditioning equipment, as these are de minimis.
- Greenhouse gas reporting assumptions and estimations: in some cases, missing data has been estimated using either extrapolation of available data from the reporting period or data from 2020/21 as a proxy.

Targets used by the organisation to manage climate-related risks and opportunities and performance against targets

- We are committed to becoming a net zero carbon business in our direct operations by 2040 and we have a target to reduce our Scope 1 operational carbon emissions by a total of 63% by 2035, aligned with a 1.5°C scenario. As we did not complete our Scope 3 emissions assessment in 2022, we have not yet engaged with SBTi, but as outlined above, we intend to do this in 2023. Management has not fully determined the financial impact of becoming a net zero business by 2040 and therefore the financial impact is not fully incorporated into the Financial Statements.
- Progress for emissions reduction targets is measured against 2019/2020 emissions data.

Environmental policy

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

Energy Savings Opportunities Scheme (ESOS)

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

- a. Energy from renewable sources for 99% (2021: 99%) of our managed locations. We are procuring 100% green gas and 99% renewable electricity at our directly managed locations.
- b. The transition from diesel and petrol vehicles is ongoing and during 2022 numbers reduced to 341 vehicles (2021: 498); hybrid vehicles increased to 244 (2021: 175) and electric vehicles (EVs) to 37 (2021: 23).
- c. Recycling facilities are provided at all locations, with 49% of waste recycled during 2022 (2021: 41%).
- d. Confidential waste is securely managed through our accredited partner. 69 tonnes (2021: 53) were collected during 2022, saving the equivalent of 1,172 trees (2021: 1,032).
- e. The improvement in electrical efficiencies is ongoing, including the provision of LED lighting, installed at 68% (2021: 44%) of locations.
- f. The installation of energy efficient systems continues, as existing facilities reach end of life.
- g. Smart meters have been installed at 95% (2021: 77%) of our sites.
- h. Water meters have been installed at 97% (2021: 85%) of our sites.

We continue to engage with our landlords, and at multi-tenanted sites seek to influence change on environmental matters around green energy, recycling and provision of EV charging points.

Ensuring excellent governance

Our commitment to excellent governance arrangements across the Group is core to working in the right way. Our commitment to Board diversity is part of this. In 2021 we adopted the Parker review recommendations which were implemented by the FCA, including adopting a target of 40% women on the Board and at least one Director from an ethnic minority background. These targets are included in the Diversity Policy which was adopted by the Board during 2022.

2022 review

Our governance arrangements are sponsored and led by Sapna B. FitzGerald, General Counsel and Company Secretary. For details, see the Corporate Governance Report (page 54). In 2022 we adopted our Diversity Policy including our diversity targets. See the Corporate Governance Report for further details (page 54).

The Directors' Remuneration Report (page 73) contains details of how we have incorporated ESG matters into our Executive Director remuneration arrangements. The Purpose, Strategy, Culture, Values and Business Model section (page 12) of this Report contains details of our purpose, values and culture and how they are aligned to our strategy.

As outlined earlier, the Board oversees our Living Responsibly programme and strategy and reviews these regularly. Details on our internal controls and risk management arrangements are contained in the Principal Risks and Uncertainties section (page 25).

All of our businesses are committed to conducting business in a socially responsible way. We seek to comply with appropriate ethical standards and to be honest and fair in our relationships with customers and suppliers. We are in the final stages of developing our comprehensive supplier code of conduct and we hope to launch this during 2023. To support this, we are undertaking a wider review of procurement across the Group, which is being supported by an external procurement adviser with oversight from the Group Finance team.

Modern Slavery and Human Rights

We have arrangements which seek to prevent modern slavery and human trafficking occurring within our businesses or any of our supply chains. During 2022, we continued with our arrangements to ensure compliance with the Modern Slavery Act 2015, including publishing our Modern Slavery Statement for the financial year ending 2021, which was published in June 2022¹. We also have an Anti-Slavery and Human Trafficking Policy, which in combination with our whistleblowing arrangements provides information and guidance to colleagues on how to recognise and deal with anti-slavery and human trafficking issues.

Bribery Act 2010

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

Payment practices reporting

Your Move, Reeds Rains and e.surv annually submit their payment practices reports, which are available on the Government's website for report submissions².

Tax evasion

In 2022, the Board received an annual review of our Tax Evasion Policy as part of the Combined Ethics Policy review. We also reviewed our tax strategy in 2022, which is available on our website³.

Notes:

¹ [islps.co.uk/modern-slavery](https://www.islps.co.uk/modern-slavery)

² check-payment-practices.service.gov.uk

³ [islps.co.uk/investor-relations/corporate-governance/tax-strategy](https://www.islps.co.uk/investor-relations/corporate-governance/tax-strategy)

The Board

This section of the Report includes information on the Directors (including Helen Buck who retired on 31 March 2023 and David Barral who was appointed on 3 April 2023) and the Company Secretary.

Executive Directors



Helen Buck, Executive Director – Estate Agency

Helen was appointed as Executive Director – Estate Agency on 2 February 2017. She has overall responsibility for the performance, strategy and development of LSL's Estate Agency Division. Prior to this role Helen had, since December 2011, served as an independent Non Executive Director and was a member of LSL's Nominations and Remuneration Committees. Helen was previously Chief Operating Officer at Palmer & Harvey and was part of the Sainsbury's management team from 2005 to 2015, including five years as a member of the Operating Board. Helen has extensive expertise in strategy, marketing, commercial and operations. Before joining Sainsbury's, Helen held senior positions at Marks & Spencer, Woolworths and Safeway, and was a senior manager at McKinsey & Co. In June 2022, LSL announced that Helen had decided to retire. Helen retired from the Board on 31 March 2023.



Adam Castleton, Group Chief Financial Officer

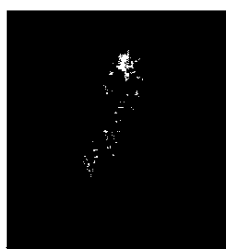
Adam was appointed Group Chief Financial Officer on 2 November 2015. He has broad financial skills and experience in the retail and services sectors. Adam joined LSL from French Connection Group PLC, where he was the Group Finance Director. He previously held leadership roles at several market-leading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



David Stewart, Group Chief Executive Officer

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

Non Executive Directors



Gaby Appleton, Senior Independent Director

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



David Barral, Independent Non Executive Director (Chair Designate)

David was appointed as an independent Non Executive Director and a member of the Remuneration and Nominations Committees on 3 April 2023. David will stand for election at the 2023 AGM and, if elected, he will be appointed Chair of the Board and the Nominations Committee with effect from the end of the AGM.

David brings a wealth of experience to LSL, following a 40-year executive and non executive career in financial services. He offers a combination of strategic leadership, transformation and operations experience, with a strong focus on value creation, customers, people, and risk and governance. He is currently Non Executive Chairman of Curtis Banks Group Plc and is a former CEO of Aviva UK and Ireland Life, Aviva's largest business unit, achieving profit of £1bn.

David's previous non executive roles include Chair of Embark Group, Chair of Rowanmoor Group, Senior Independent Director of LV Group, Non Executive Director of LV General Insurance, Non Executive Director of The Pension Superfund, Independent Customer Champion at Quilter and Chair of Virgin Wines. He has also previously chaired the ABI Retirement and Savings Committee and was a member of the Financial Services Authority Retail Distribution Review.



Simon Embley, Non Executive Director

Simon was Non Executive Chair of LSL from 1 January 2015 until 28 April 2021, when he stepped down following his appointment as Chief Executive of Pivotal Growth Limited, the joint venture between LSL and Pollen Street Capital. Simon has remained on the Board so the Group can continue to benefit from his knowledge and experience, and this position is kept under review. Simon was Deputy Chair from 2014 to 2015 and Group Chief Executive Officer until 2014, a role which he held at the time of the management buyout of e.surv and Your Move from Aviva (formerly Norwich Union Life) in 2004. Simon was responsible for the strategic direction of these companies prior to the management buyout and he subsequently led the turnaround of the initial Group. Simon's other directorships include a small estate management company, Eveclo Holdings Limited (an IT business) and Road to Health (a healthcare provider). He is also Non Executive Chair at Global Property Ventures, a market-leading insurance-based tenant deposit company.



Darrell Evans, Independent Non Executive Director

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



Sonya Ghobrial, Independent Non Executive Director

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



James Mack, Independent Non Executive Director

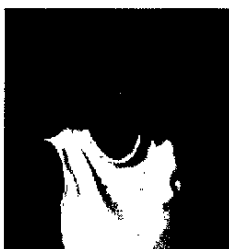
James was appointed as an independent Non Executive Director and as Chair of LSL's Audit & Risk Committee on 27 September 2021. He also serves on our Nominations and Remuneration Committees. James has significant experience in audit, risk and financial services, particularly in retail financial services.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



Bill Shannon, Non Executive Director, Chair of the Board

Bill was appointed as Chair of the Board with effect from 28 April 2021, having been first appointed as a Non Executive Director on 7 January 2014. He also chairs the Nominations Committee and is a member of the Remuneration Committee. Bill was deemed to be independent prior to his appointment as Chair of the Board. Bill has significant PLC board experience in strategy, operations, finance and governance, in the consumer, financial services, residential and commercial property sectors. He is also currently a Council Member at the University of Southampton and Independent Non Executive Chair of Ashted Technology Holdings plc, which is AIM Listed. He was previously at Whitbread Group plc from 1974 and between 1994 and 2004, he was a Divisional Managing Director. He has also served as Non Executive Chair of Johnson Service Group plc, Aegon UK plc and St Modwen Property PLC, and as a Non Executive Director of Rank Group plc, Barratt Developments plc and Matalan plc. Bill completed nine years on the Board in January 2023 and the Board has approved a 12-month extension to his term, to facilitate the Chair succession planning process. On 20 February 2023 we announced Bill's intention to retire at the 2023 AGM.

Company Secretary



Sapna B. FitzGerald, General Counsel and Company Secretary

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

The Executive Committee

The Executive Committee at the date of this Report is:



David Stewart
Group Chief Executive Officer
Executive Director



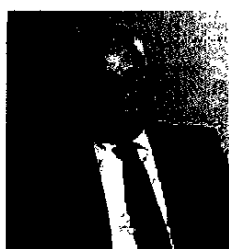
Adam Castleton
Group Chief Financial Officer
Executive Director



Andy Deeks
Group Chief Strategy Officer
PDMR



David Akinluyi
Group Chief Operating Officer
PDMR



Jon Round
Group Financial Services Director
PDMR



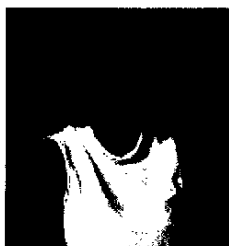
Steve Goodall
Managing Director
Surveying & Valuation
PDMR



Paul Hardy
Managing Director
Estate Agency
PDMR



Debra Gardner
Group HR Director



Sapna B. FitzGerald
General Counsel and
Company Secretary

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

David Stewart
Group Chief Executive Officer
12 April 2023

Adam Castleton
Group Chief Financial Officer
12 April 2023

Directors' Report (including Corporate Governance and Committee Reports)

In this section

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Statement of Directors' Responsibilities in Relation to the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements of the Group and the Company in accordance with applicable UK law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and the Company Financial Statements in accordance with UK adopted International Accounting Standards (IAS). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

Under the FCA's Disclosure Guidance and Transparency Rules, the Financial Statements are required to be prepared in accordance with UK adopted IAS.

In preparing each of the Group and the Company Financial Statements the Directors are required to:

- a. select suitable accounting policies in accordance with IAS 8 Accounting Policies, Change in Accounting Estimates and Errors and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- d. provide additional disclosures when compliance with the specific requirements in IAS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and/or Company's financial position and financial performance;
- e. in respect of the Group Financial Statements, state whether UK adopted IAS have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- f. in respect of the Company Financial Statements, state whether UK adopted IAS have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- g. prepare the Financial Statements on the going concern basis unless it is appropriate to presume that the Group and/or Company will not continue in business.

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

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

Directors' responsibility statement (DTR 4.1)

Each of the Directors who were members of the Board during 2022 (including Helen Buck) confirm that, to the best of their knowledge:

- that the consolidated Financial Statements, prepared in accordance with UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company and undertakings included in the consolidation taken as a whole;
- that the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Report of the Directors

Business review and development

The Strategic Report on pages 12 to 46 (including the Chair's Statement, the Group Chief Executive's Report and the Financial and Divisional Reviews) sets out a review of the Group's business, including details of our performance, developments and strategy during 2022.

Annual general meeting

Our AGM will be held at 210 Euston Road, London, NW1 2DA on 25 May 2023, starting at 1.15pm (doors will open at 1pm). The Notice of Meeting convening the AGM is in a separate circular to be sent to shareholders with this Report. The Notice of Meeting also includes a commentary on the business of the AGM and notes to help shareholders to attend, speak and vote at the AGM.

Financial results

The Strategic Report and Financial Statements set out our financial results for 2022.

Dividend

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

Although economic conditions have affected current earnings, we have made significant progress in executing our strategic shift to develop a business that is less exposed to the housing market cycle.

As part of that shift and the associated rationalisation of certain businesses such as the recent sale of Marsh & Parsons, we have built significant Net Cash balances, which at 31 December 2022 and prior to the disposal of Marsh & Parsons stood at £40.1m. In light of this exceptionally strong cash position and the Board's confidence in the future prospects of the Group, the Board recommends a final dividend of 7.4 pence. If approved, this will give a total dividend of 11.4 pence per share, unchanged from last year.

The ex-dividend date is 27 April 2023 with a record date of 28 April 2023 and a payment date of 2 June 2023. Shareholders can elect to reinvest their cash dividend and purchase additional shares in LSL through a dividend reinvestment plan via signalshares.com. The election date is 11 May 2023.

The Board continues to keep its capital allocation policy and balance sheet structure under close review to ensure it is fit for purpose for our evolving business model and will seek to update shareholders on this as appropriate.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Financial and Divisional Reviews section (page 13) of the Strategic Report. The financial position of the Group, its cash flows, liquidity position and policy for treasury and risk management are described in the Financial Review section of the Strategic Report (page 12). Details of the Group's borrowing facilities are set out in note 24 to the Financial Statements. Note 32 to the Financial Statements describes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. A description of the Group's principal risks and uncertainties and arrangements to manage these risks can be found in the Principal Risks and Uncertainties section of the Strategic Report on page 25.

As explained in note 32 to the Financial Statements, the Group meets its day to day working capital requirements through cash generated from operations, as well as utilising its revolving credit facility. The Group currently has a £60m facility (December 2021: £90m), which was amended and restated in February 2023. The facility is committed until May 2026. As at 31 December 2022 the Group had available £90m of undrawn borrowing out of an available £90m (which was the facility size as at that date), in respect of which all conditions precedent had been met. The Group's forecasts, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the terms of its renewed £60m facility during the going concern period. This modelling demonstrated sufficient liquidity and sufficient headroom on the required covenants, details of which can be seen in the Principal Risks and Uncertainties section on page 25 of this report.

The Directors have considered the future profitability of the Group, including the impact of disposals since the year end, and the Board approved cash flow forecasts for the going concern period, which is considered to be the period until 30 April 2024. Further consideration was given to banking covenants, liquidity of investments and joint ventures and the Group's ability to refinance where necessary. The Directors also assessed the key judgements, assumptions and estimates underpinning the review. The base case is modelled after post-year end business disposals and reflects ongoing challenging market conditions and the Directors' expectations of the current economic climate.

In reaching its conclusion on the going concern assessment, the Board considered the findings of the work performed to support the Group's long term viability statement. As noted in the Viability Statement, which is included in the Principal Risks and Uncertainties section of this Report (page 29), this included assessing forecasts of severe but plausible downside scenarios related to our principal risks, notably the extent to which a severe downturn in the UK housing market, close to the level seen during the financial crisis in 2008, would affect the Group's base forecasts.

The Directors can confirm that in the base case, and the downside scenarios, the Group had adequate liquidity and covenant headroom during the going concern period.

Report of the Directors

The Directors also modelled a reverse stress test to assess the level to which market conditions would have to deteriorate before we would reach our key banking covenant ratio of 2.75x Net Debt, adjusted EBITDA (with a ratio of 3.00x allowable for two consecutive test periods once during the renewal period). This showed that, excluding any action we would take to retain cash reserves and maintain our operations, the UK housing market transaction activity would have to fall to a level 7% below the financial crisis of 2008 during the going concern period which is equivalent to a 37% fall in comparison to 2022, which the Directors consider to be remote.

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

After making enquiries, the Directors who were members of the Board during 2022, concluded that the Group has adequate resources to continue in operational existence for the going concern period. Accordingly, they continue to adopt the going concern basis in preparing this Report.

Financial instruments

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

Employee, suppliers, customers and other stakeholders

Please see the Stakeholder Engagement Arrangements section (page 21), which contains our disclosures pursuant to the Companies Act 2006. This is in addition to the details of our stakeholder considerations, which can also be found in the ESG Report (page 30).

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

The disclosures required are included in the ESG Report on page 30.

Directors

Details of the Directors who served during 2022 are in the Corporate Governance Report (page 54) and The Board (page 44) sections.

Re-election and election

Our policy, as set out in the Nominations Committee's terms of reference, is to have annual re-elections of our Directors. As a result, all the Directors except for Bill Shannon are standing for election/re-election. Helen Buck retired on 31 March 2023.

Bill Shannon completed nine years on the Board in January 2023 and on 20 February 2023 LSL announced Bill's intention to retire at the end of the AGM and not stand for re-election. We commenced an exercise to appoint a new Non Executive Chair and announced the appointment of David Barral as Chair Designate on 4 April 2023. David will stand for election at the 2023 AGM, and if elected will take over as Chair of the Board at the end of the AGM.

Our articles provide that the Board may appoint a Director, who will then retire from office at the next AGM and seek election. Shareholders may by ordinary resolution elect or re-elect any individual as a Director.

The 2022 annual evaluation of the Board and its Committees also specifically evaluated each Directors' performance and the Board confirmed that it values the experience and commitment demonstrated by each person who was a Director during 2022.

Directors' interests

The interests of the Directors who are on the Board at the date of this Report are contained within the Directors' Remuneration Report (page 73).

During the period between 31 December 2022 and the date of this Report, there were no changes in the Directors' interests, other than the purchases of shares by David Stewart (272 shares) and Adam Castleton (274 shares) as participants of LSL's SIP/BAYE scheme (these shares were purchased by the Trust at the prevailing market rate). Helen Buck also purchased 204 shares as a participant of LSL's SIP/BAYE scheme prior to retiring from the Board on 31 March 2023.

During 2022, the Board maintained its arrangements for managing and recording conflicts, in line with its policy. This includes observing an anti-bribery and hospitality policy, to ensure compliance with section 176 of the Companies Act 2006.

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

Directors' service contracts and letters of appointment

Details of the Executive Directors' service agreements and the Non Executive Directors' letters of appointment (including any extensions to appointments) are set out in the Directors' Remuneration Report (page 73). The contracts and letters of appointment are available for inspection at the Registered Office during normal business hours and at each AGM.

Directors' qualifying third party indemnity provisions

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

Compensation for loss of office – change of control

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

Auditor

Ernst & Young LLP, the Group's external auditor, has advised of its willingness to continue in office and a resolution to re-appoint it to this role and the authority for its remuneration to be determined by the Directors will be proposed at the 2023 AGM.

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

On 17 March 2023 we announced a change to the Audit Partner arrangement due to the unanticipated absence of the Senior Statutory Auditor responsible for signing this Report. This resulted in a delay to the announcement of our preliminary results from 22 March 2023 to 13 April 2023.

Share capital

Our 0.2 pence ordinary shares are listed on the London Stock Exchange and are the only class of shares in issue. At 31 December 2022, our issued share capital comprised 105,158,950 shares (2021: 105,158,950). The authorised share capital is 500,000,000 shares. Details of our share capital are also set out in note 27 to the Financial Statements.

During 2022 we undertook a share buy back programme which began on 21 April 2022 and continued until 30 September 2022. During this period, 1,176,439 ordinary shares were acquired which are now held in treasury. These treasury shares are not entitled to dividends and have no voting rights at LSL's general meetings. The issued share capital at the date of this Report is 105,158,950 shares and the total number of voting rights (excluding treasury shares) is therefore 103,982,511.

We have authority under section 701 of the Companies Act 2006 to make market purchases of our ordinary shares on such terms and in such manner that the Directors determine. The maximum shares we can buy back is capped at 10% of our issued ordinary share capital, being 10,515,895 ordinary shares. This authority will expire at the conclusion of the 2023 AGM and we are seeking a renewal of this authority. Please see the Notice of Meeting for further details.

Rights and obligations attached to shares

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

- a. the right to vote at general meetings;
- b. to appoint a proxy or proxies;
- c. to receive dividends; and
- d. to receive circulars from LSL.

We will seek shareholder approval for the renewal of authority for the Directors to allot unissued shares and for the power to disapply statutory pre-emption rights at the 2023 AGM. We obtained shareholder approval to disapply pre-emption rights at the 2022 AGM.

Full details of the deadline for exercising voting rights in respect of the resolutions to be considered at the 2023 AGM are set out in the Notice of Meeting.

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

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

- a. certain restrictions which may from time to time apply under applicable laws and regulations (for example, insider trading laws and market requirements relating to closed periods); and
- b. pursuant to the Listing Rules of the FCA/UKLA and our Share Dealing Policy, whereby certain employees require approval to deal in LSL's securities.

Our articles of association may only be amended by way of a special resolution at a general meeting of our shareholders.

Report of the Directors

Employee share schemes

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

We also operate the LSL Property Services plc Employee Share Incentive Plan (BAYE or SIP) for our colleagues, which was established in 2007 and is administered by Link Market Services (Trustees) Limited (formerly Capita IRG Trustees Limited) (Link). Link is the trustee of the LSL Property Services Employee SIP Trust (Trust), in which shares are held on behalf of participants in the BAYE. The shares held in the Trust have dividend and voting rights in line with the rules of the BAYE. At 31 December 2022, the Trust held 1.01% (2021: 0.89%) of the issued share capital in trust for the benefit of employees of the Group and their dependents. The voting rights in relation to these shares are exercised by the Trustees.

Significant agreements – change of control

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

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

Events after the reporting period

On 13 January 2023, the Group announced the sale of Group First and RSC to Pivotal Growth, the Group's joint venture with Pollen Street Capital. The consideration payable will be 7x the combined Group First and RSC EBITDA in the calendar year 2024, subject to working capital adjustments, capped at a maximum of £20m.

On 26 January 2023, the Group announced the sale of Marsh & Parsons (Holdings) Limited and its subsidiary Marsh & Parsons to a subsidiary of Dexters London Limited for consideration of £29m payable on completion, subject to working capital adjustments.

On 11 April 2023, the Group announced the disposal of two further subsidiaries, Embrace Financial Services and F2P to Pivotal Growth.

The Group received consideration of £7.8m for F2P and will receive consideration of 7x 2024 EBITDA in the calendar year 2024 for Embrace Financial Services, subject to working capital adjustments, capped at a maximum of £10m.

The accounting for these disposals will be included in the 2023 interim Financial Statements.

In February 2023, the Group agreed a restatement and amendment to its banking facility which runs to May 2026 with a new limit of £60m. This replaced the previous RCF which had a maturity date of May 2024 and credit limit of £90m.

On 30 March 2023 the Group sold its 15.37% shareholding in VEM to Connells for consideration of £0.2m, at 31 December 2022 the Group held its investment in VEM at a fair value of £0.2m.

Substantial shareholdings

At 31 December 2022 and as at 12 April 2023, the shareholders set out below have notified LSL of their interest under DTR 5:

Institution	Nature of shareholding	31 December 2022		12 April 2023	
		Number of ordinary shares	% of ordinary shares (excluding treasury shares*)	Number of ordinary shares	% of ordinary shares (excluding treasury shares*)
FMR LLC	Beneficial	9,901,380	9.52	9,901,380	9.52
Kinney Asset Management, LLC	Beneficial	8,509,210	8.18	8,509,210	8.18
Setanta Asset Management Limited	Beneficial	6,288,162	6.05	6,288,162	6.05
SMF UK Management LLP	Beneficial	5,523,218	5.31	5,523,218	5.31
Liontrust Asset Management plc	Beneficial	5,485,475	5.28	5,485,475	5.28
Harris L.P.	Beneficial	5,220,081	5.02	5,220,081	5.02
Brandes Investment Partners L.P.	Beneficial	5,172,615	4.97	5,172,615	4.97
FIL Limited	Beneficial	5,161,887	4.96	5,161,887	4.96
Franklin Templeton Institutional, LLC	Beneficial	3,211,900	3.09	3,211,900	3.09
Individual shareholders (excluding Directors):					
David Newnes	Beneficial	3,479,910	3.35	3,479,910	3.35

*Treasury shares are not entitled to dividends and have no voting rights at the Company's general meetings.

Political donations

LSL does not make any monetary contributions to political campaigns, political organisations, lobbyists or lobbying organisations or other tax-exempt groups. LSL Group companies are members of trade associations which may be involved in political activities. LSL does consider that its membership of these bodies amounts to LSL companies being engaged in or contributing to political activities.

Directors' responsibility statement

Each of the individuals who were Directors of the Board during 2022 (this includes Helen Buck) confirm, to the best of their knowledge:

- That the consolidated Financial Statements, prepared in accordance with UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company and undertakings included in the consolidation taken as a whole.
- That this Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- That they consider this Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Disclosure of information to the auditor

Having made enquiries of fellow Directors and of the external auditor, each of the individuals who were Directors of the Board in 2022 confirm that:

- To the best of his/her knowledge and belief, there is no information (as defined in the Companies Act 2006) relevant to the preparation of this Report of which the external auditor is unaware.
- He/she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the external auditor is aware of that information.

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

Sapna B. FitzGerald

Company Secretary

12 April 2023

Corporate Governance Report

including Nominations Committee Report

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

Compliance with the Code in 2022

Our Board is committed to operating in accordance with the Code. At 31 December 2022, we complied with the Code in all respects.

Application of the Code

This section of the Report explains the main aspects of LSL's governance arrangements and details how we apply the principles and comply with the provisions in the Code. Other sections of this Report also contain details relating to the measures we have put in place to comply with the Code including:

- **Principle C:** the Principal Risks and Uncertainties section details LSL's framework of prudent and effective controls which enable risks to be assessed and managed.
- **Principle E:** this section of the Report together with the Stakeholder Engagement and ESG sections detail how LSL seeks to take into account the views of its workforce and ensures that its workforce policies and practices are consistent with the Group's values and support its long term sustainable success.
- **Principles F and H:** the role of the Chair and the Non Executive Directors is central to our compliance with the Code. The Chair leads the Board, providing oversight of its arrangements and promoting a culture of openness and debate. The Non Executive Directors provide constructive challenge, strategic guidance, offer specialist advice and hold Management to account. Details of arrangements can be found in this section of the Report and the Director biographies can be found in The Board section of this Report (page 44).

2022 activities:

In our Annual Report and Accounts 2021, we identified the following as areas of non-compliance, which we have addressed during 2022:

Provision	2022 activity
Provision 11: <i>At least half the board, excluding the chair, should be non executive directors whom the board considers to be independent.</i>	On 4 March 2022, we appointed Sonya Ghobrial as an independent Non Executive Director. With effect from that date, the Board's composition has complied with the Code.
Provision 23: <i>The annual report should describe the work of the nomination committee, including the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives.</i>	Following the publication of the FCA's final rules in relation to diversity policies, in April 2022 the Board adopted a diversity policy which covers the Board and the Senior Management Team, including the Executive Committee. See also Board Diversity and Inclusion below (page 63).

2023 compliance

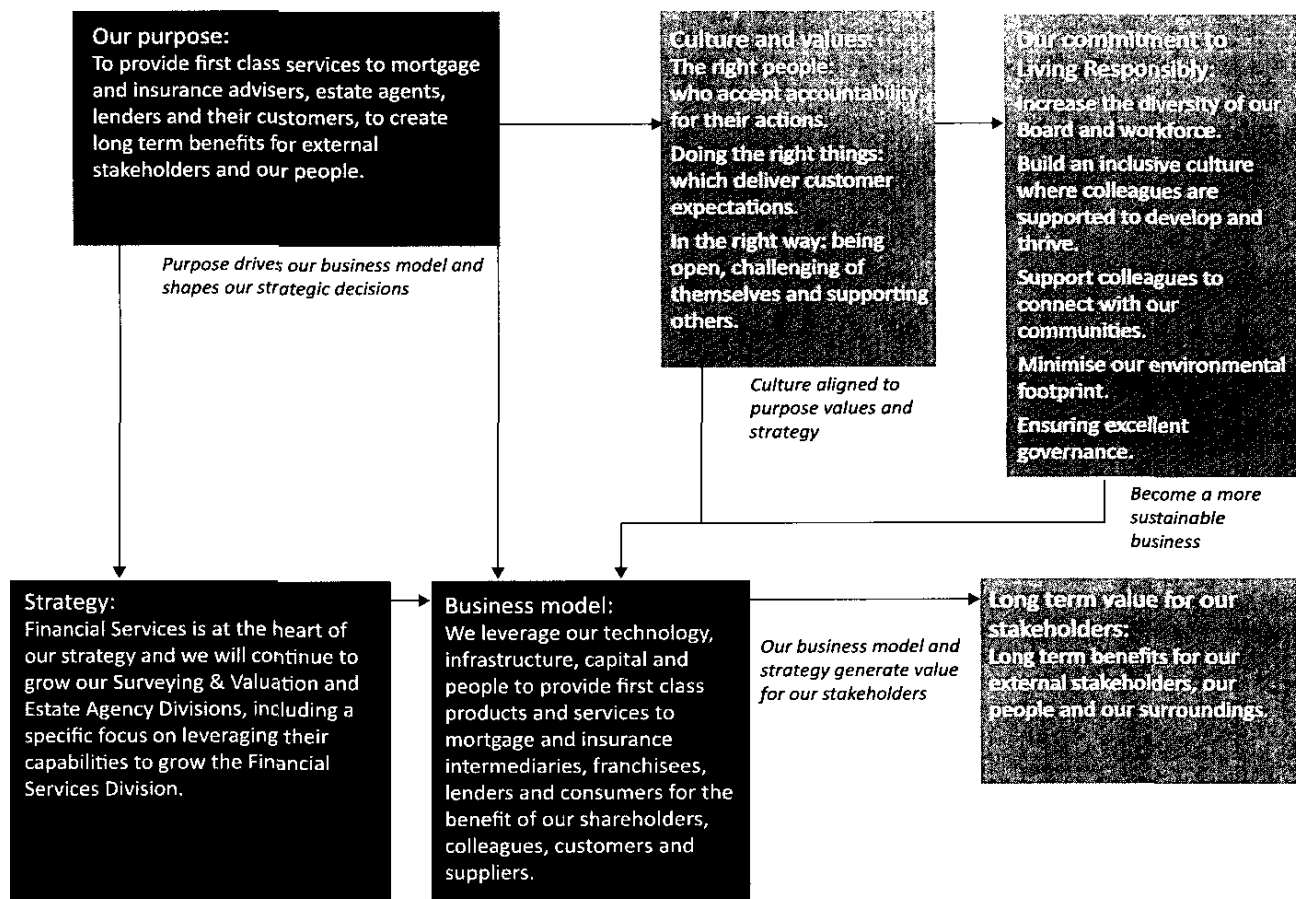
Provision 19 states that: *The chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non executive director on appointment. A clear explanation should be provided.*

In January 2023, Bill Shannon's term on the Board exceeded nine years and on 20 February 2023 we announced Bill's intention to retire at the 2023 AGM. To support the succession process, the Board resolved to extend Bill's term to expire at the end of December 2023. Notwithstanding this extension, Bill announced his intention to retire from the Board at the end of 2023 AGM and on 4 April 2023 we announced the appointment of David Barral as Chair Designate.

Board roles and responsibilities

The Board is responsible for establishing the Group's purpose, its overall management and for decisions on the strategy. It also monitors financial performance and under the Group's Matters Reserved for the Board (MRB) policy it is also responsible for formulating the Group's risk appetite framework (see the Principal Risks and Uncertainties section for more information on our risk arrangements, including plans for development of these arrangements during 2023) (page 25).

Set out below is a diagram which explains how our purpose, culture, values, strategy and business model link together with each other and how they interact with our Living Responsibly programme and deliver long term value for our stakeholders.



Whistleblowing

The ESG Report on page 30 explains how the Board oversees the Group's whistleblowing and speak up arrangements, including how the Board has received assurance on the effectiveness of these arrangements in 2022.

The Board's Committees

The Board has four Committees, and the terms of reference for the Nominations, Remuneration and Audit & Risk Committees are available on our website (slps.co.uk). The Nominations, Remuneration and Audit & Risk Committees have meetings scheduled as part of the annual planning process. Additional meetings will be organised during the year as required. The Disclosure Committee only meets when required and as directed by the Board. See below for details of the number of meetings for the Board and each of the Committees in 2022.

Corporate Governance Report including Nominations Committee Report

Committee	Members	Roles and responsibilities
Nominations	<p>Bill Shannon (Chair)</p> <p>Gaby Appleton</p> <p>Darrell Evans</p> <p>James Mack</p> <p>Sonya Ghobrial</p> <p>From 3 April 2023, David Barral is also a member. He will Chair the Committee from the close of the 2023 AGM and Bill will retire from the Committee</p>	<ul style="list-style-type: none"> • Lead the process for appointments to the Board and its Committees. • Oversee succession plans for the Directors and members of the Senior Management Team (including the Executive Committee). • Approve the Diversity Policy and targets, and monitor the Group's compliance with the policy and targets.
Remuneration	<p>Darrell Evans (Chair)</p> <p>Bill Shannon</p> <p>Gaby Appleton</p> <p>James Mack</p> <p>Sonya Ghobrial</p> <p>David Barral joined the Committee on 3 April 2023. Bill will retire from the Committee at the close of the 2023 AGM.</p>	<ul style="list-style-type: none"> • Determine the policy for Executive Director remuneration and set the remuneration for the Executive Directors, the Chair and members of the Senior Management Team (including the Executive Committee), together referred to as the RemCo Population. • Review workforce remuneration and related policies and alignment of incentives and rewards with culture, when setting Executive remuneration policy. <p>See the Directors' Remuneration Report for further details on how the Committee has discharged its roles and responsibilities in 2022 (page 73).</p>
Audit & Risk	<p>James Mack (Chair)</p> <p>Gaby Appleton</p> <p>Darrell Evans</p> <p>Sonya Ghobrial</p>	<ul style="list-style-type: none"> • Oversight of audit, risk and internal control arrangements. <p>See the Audit & Risk Committee Report (page 67) and the Principal Risks and Uncertainties section (page 25) for further details, including details of our internal controls and risk management arrangements.</p>
Disclosure	<p>Bill Shannon</p> <p>Gaby Appleton</p> <p>David Stewart</p> <p>Adam Castleton</p> <p>David Barral will replace Bill on the Committee from the close of the 2023 AGM.</p>	<ul style="list-style-type: none"> • Ensuring compliance with UK Market Abuse Regulation (UK MAR) arrangements.

Executive Committee

We have an Executive Committee, which is headed by David Stewart. At the date of this Report the team comprises:

Name	Role	Other information
David Stewart	Group Chief Executive Officer (CEO)	Executive Director
Adam Castleton	Group Chief Financial Officer (CFO)	Executive Director
Jon Round	Group Director of Financial Services	PDMR
Steve Goodall	Managing Director – Surveying & Valuation	PDMR
Paul Hardy ¹	Managing Director – Estate Agency	PDMR
Andy Deeks	Group Chief Strategy Officer (CSO)	PDMR
David Akinluyi	Group Chief Operating Officer (COO)	PDMR
Sapna B. FitzGerald	General Counsel and Company Secretary	
Debra Gardner ²	Group Human Resources Director	

Notes:

¹ Paul was appointed into the role of Managing Director – Estate Agency in March 2023. During 2022, Helen Buck was the Executive Director – Estate Agency.

² Debra was appointed into the role of Group HR Director in January 2023. During 2022, John McConnell was the Group's HR Director.

Executive Committee diversity

At the date of this Report, the Executive Committee includes two women and two persons of colour. For further details relating to the diversity of our colleagues, including the Senior Management Team, see the ESG Report (page 30).

Board composition

The Directors at 31 December 2022 are shown in the table below. Biographical details of each person who was a member of the Board in 2022 and is a member of the Board at the date of this Report are contained in The Board section of this Report (page 44) (this includes David Barral, who joined the Board as Chair Designate on 3 April 2023).

The details include information relating to any other directorships. The Board does not consider that any of the Directors' other appointments interfere with their appointment by LSL.

Name	Role	Additional role
David Stewart	Executive Director	Group Chief Executive Officer (CEO)
Adam Castleton	Executive Director	Group Chief Financial Officer (CFO)
Helen Buck ¹	Executive Director	Executive Director – Estate Agency
Bill Shannon ²	Non Executive Director	Chair
Gaby Appleton	Independent Non Executive Director	Senior Independent Director (SID)
Darrell Evans	Independent Non Executive Director	Chair of the Remuneration Committee and NED for workforce engagement
James Mack	Independent Non Executive Director	Chair of the Audit & Risk Committee
Sonya Ghobrial	Independent Non Executive Director	
Simon Embley	Non Executive Director	

Notes:

¹ Helen retired from the Board and the Executive Committee on 31 March 2023.

² Bill Shannon was considered to be independent prior to his appointment as a Director. In January 2023 Bill's term reached nine years and the Board agreed to extend his term to the end of 2023. On 20 February 2023 we announced Bill's intention to retire which will occur at the end of the 2023 AGM. David Barral, who joined the Board as Chair Designate on 3 April 2023, will take over as Chair from the end of the 2023 AGM. David is considered to be independent.

Board diversity

At 31 December 2022, the Board included six male and three female Directors and it did not include any person of colour. In relation to the Board's senior roles, this includes three males (Chair, CEO and CFO) and one female (SID). The Board composition does not meet the Group's diversity target, which is detailed in our Diversity Policy. See Board Diversity and Inclusion below for further details.

At the date of this Report, the Board includes seven male and two female Directors and does not include any person of colour. Following the 2023 AGM, the number of male Directors will change to six (following the retirement of Bill Shannon).

Board skills and experience

During 2022 and at the date of this Report, the Board includes skills and experience in the following areas:

- Strategy.
- Technology and digital services.
- Operations.
- Governance.
- ESG.
- Investor relations.
- Risk and compliance.
- Sales and marketing.
- Finance.
- Retail including financial services and consumer services.
- Residential and commercial property.
- Entrepreneurship.
- Employment and human resources.
- Banking.
- Treasury.
- Financial controls.

Corporate Governance Report including Nominations Committee Report

q. Audit.

r. Professional information solutions.

Independent Non Executive Directors

At 31 December 2022, all of the Directors identified as independent met the criteria set out in provision 10 of the Code.

As stated above, Bill's current three year term expired on 6 January 2023 and his appointment was extended to the end of 2023 to allow the Board to implement succession arrangements. Bill will retire at the close of the 2023 AGM.

Director elections/re-elections

All Directors will retire at the AGM and, except for Helen Buck and Bill Shannon, they will stand for election/re-election. Helen Buck left the Group on 31 March 2023 and Bill Shannon will retire from the Board at the close of the AGM. Further details relating to the Directors' election will be included in the Notice of Meeting.

Director appointment arrangements

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

Key Board roles

There is clear division of responsibilities between the key roles on the Board, details of which are set out on our website ([islps.co.uk](https://www.islps.co.uk)) and are summarised below.

Role	Responsibilities summary
Chair	<ul style="list-style-type: none">• Leadership of the Board, including setting its agenda and overseeing its decision making processes and arrangements.• Shaping the culture, style and tone of discussions and promoting openness and debate.• Leading regular Non Executive Director only meetings, to support the Board's discussions.• Overseeing our stakeholder engagement arrangements.• Supporting the Group CEO and other Directors, including ensuring appropriate training and induction arrangements are in place.• Leading our annual Board and Committee evaluation exercise.
Group Chief Executive Officer	<ul style="list-style-type: none">• Running the business, using delegated powers set by the Board.• Proposing and delivering Group strategy.• Overseeing Group culture and sustainability priorities (ie Living Responsibly/ESG).• Supporting the Board's decision making by providing appropriate information.
Senior Independent Director	<ul style="list-style-type: none">• Acting as a sounding board for the Chair.• Leading the evaluation of the Chair.• Providing an alternative point of contact for Directors and stakeholders (including shareholders).

Board and committee meetings in 2022

Each year, we put in place a schedule of meetings for the Board and our Committees, which are supplemented by additional meetings as required. The Directors meet in person and virtually and the table below summarises the meetings for 2022 and each Director's attendance. Where a Director is not a member of a Committee, their attendance or non-attendance is not reported. We also schedule meetings for the Non Executive Directors to meet without the Executive Directors. The Audit & Risk Committee also meets the auditor without the Executive Directors.

2022 Board Member	Attendance at Board meetings (including strategy meetings) (total 17 held in the year)	Attendance at Audit & Risk Committee meetings (total 3 held in the year)	Attendance at Remuneration Committee meetings (total 5 held in the year)	Attendance at Nominations Committee meetings (total 6 held in the year)	Attendance at Disclosure Committee Meetings (total 2 held in the year)
Gaby Appleton	16 ¹	3	4 ¹	5 ¹	0
Helen Buck	17				2
Adam Castleton	17				
Simon Embley	16 ²				
Darrell Evans	13 ³	2 ³	5 ³	5 ³	
Sonya Ghobrial	13 ⁴	2 ⁴	3 ⁴	5 ⁴	
James Mack	16 ²	3	5	6	
Bill Shannon	17		5	6	0
David Stewart	17				2

Notes:

- ¹ Gaby missed one Board meeting, one Remuneration Committee meeting and one Nominations Committee meeting. She received the papers prior to each meeting and was able to provide feedback for the other Directors to consider at the meeting.
- ² Simon and James each missed one Board meeting. They received the papers prior to each meeting and were able to provide feedback for the other Directors to consider at the meeting.
- ³ Darrell missed four Board meetings, one Audit & Risk Committee and one Nominations Committee meeting. He received the papers prior to each meeting and was able to provide feedback for the other Directors to consider at the meeting.
- ⁴ Sonya was appointed to the Board on 4 March 2022 and the table records the meetings she attending following her appointment.

Board meeting and decision making arrangements

At the start of each year, we put in place a planner with a schedule of matters for discussion, which includes special business as well as standing items. The Board also has a MRB policy, which identifies matters that require Board approval and matters that are delegated to the Group CEO and Group CFO for approval. It also includes a list of matters which the Board will receive for information.

During 2022 the MRB policy was reviewed in detail, to identify ways to improve Board reporting and decision making. The review considered governance best practices, including guidance published by the Chartered Governance Institute.

As a result of this review, the Board agreed to review policies identified in the MRB policy on a triennial basis, unless there is an event (including a change in law) which requires the policy to be amended and submitted for approval in the interim.

For each scheduled meeting the Directors receive regular reports that may include the following:

- a. Group CEO's Report – strategy and key project updates, commentary on the Group's performance and Living Responsibly KPIs.
- b. Group CFO's Report – Group financial performance review and risks.
- c. Divisions Report – each managing director provides a report on their businesses which covers financial performance, risk, operational matters and KPIs.
- d. Group CSO Report – strategy updates.
- e. Group COO Report – operational matters, including resilience and strategic projects tracking.
- f. Group HR Director's Report – colleague matters and KPIs including staff turnover data and whistleblowing reporting.
- g. Governance Report – legal and Matters Reserved for the Board policy reporting (being either information which is required to be given to the Board or proposals requiring Board approval).
- h. Shareholder Report – report detailing changes to our investor register.
- i. Board Planner – record of meetings conducted during the year together with agenda items scheduled for future meetings. At the end of each meeting the Board discusses and agrees items for inclusion in the agenda for the next meeting(s).

The Board will also receive special business presentations, which could relate to a particular business area or initiative.

Reporting arrangements have also been reviewed and improved during the year. For scheduled meetings, each member of the Executive Committee submits a report which focuses on key matters and risks relevant to them. In months with no scheduled meetings, we decided to stop the creation of reports by Executive Committee members and instead the Directors are invited to a virtual meeting with the Group CEO and Group CFO, to receive updates on Group performance and strategic projects. This has reduced the volume of Board reporting and ensures that Board sessions are focused

Corporate Governance Report including Nominations Committee Report

on material matters and strategy. The quality of Board reporting is also covered by the annual evaluation exercise, as we seek to continuously improve our reporting and decision making arrangements.

The Directors, the Board and the Committees are all supported by the Company Secretary (Sapna B. FitzGerald), who is responsible for ensuring adherence to governance requirements and policies. This includes managing meeting arrangements and supporting Director induction and training. See also our s172 Statement, which is included in the Stakeholder Engagement section of this Report (page 21).

Board decisions in 2022

Set out below is a summary of some of the Board's key decisions during 2022, together with how any relate to our strategy and our key stakeholders:

Key topic	Link to strategy	Relevant stakeholder(s)
<p>Strategy: The Board has reviewed Group and Divisional projects to identify projects to be prioritised because they support the delivery of the Group's strategy.</p>	<p>Focus on strategic priorities: The Board is focused on ensuring the Group delivers its key strategic initiatives and the objective of the prioritisation exercise was to ensure that Group and Divisional resources are focused on strategic matters.</p>	<ul style="list-style-type: none"> • Colleagues • Customers • Suppliers • Shareholders
<p>Pivotal Growth: The Board has supported our investment in the joint venture with Pollen Street Capital.</p>	<p>Focus on D2C Financial Services through Pivotal Growth: Pivotal Growth has completed a number of transactions pursuant to its strategy to buy and build a leading national mortgage broker.</p> <p>This included the disposal of our D2C broker businesses to Pivotal Growth which also supported our simplification strategy (see below) and focus on delivering B2B services.</p>	<ul style="list-style-type: none"> • Shareholders • Colleagues • Customers
<p>Group simplification: The Board approved the disposal of assets which are not core to the Group's strategy.</p> <p>These disposals are in line with our strategy to simplify the Group, and to focus on developing our B2B businesses.</p> <p>The disposals also reduce our exposure to housing market cycles.</p>	<p>Focus on B2B services and dispose of non-core assets: A number of disposals were completed in 2023 and are reported as post-balance sheet events.</p> <p>The disposal of Marsh & Parsons provided the Group with capital and balance sheet flexibility to take advantage of opportunities to support investment in our strategy and reduce our exposure to housing market cycles which are more volatile in London.</p> <p>The divestments of the D2C broker businesses and PRSim (our private rented sector property management business), has simplified the Group structure.</p>	<ul style="list-style-type: none"> • Colleagues • Shareholders • Customers • Suppliers
<p>Capital allocation and the Group's banking facility: During the year, the Board approved the amendment and restatement of the Group's £60m revolving credit facility, which took place in February 2023. The facility now expires in 2026.</p>	<p>Capital to support strategy: The revised facility provides the Group with capital and balance sheet flexibility, to take advantage of opportunities to support and invest in our strategy.</p>	<ul style="list-style-type: none"> • Shareholders
<p>Share buy back: During the year, taking into account shareholder feedback, the Board approved a share buy back programme.</p>	<p>Shareholder value: The programme which was paused due to a lack of share liquidity, delivered a return to shareholders and was undertaken following shareholder feedback.</p>	<ul style="list-style-type: none"> • Shareholders

Key topic	Link to strategy	Relevant stakeholder(s)
Review of Group costs: The Board considered reviews to identify cost reductions and also review target operating models.	Group simplification: This included a review of procurement arrangements, to identify synergies across the Group. It also included the commencement of a review of the Group's operating model, to identify further opportunities for cost reduction.	<ul style="list-style-type: none"> • Colleagues • Shareholders • Suppliers
ESG: The Board considered the development of the Group's sustainability programme, including our purpose, values and culture and ensuring the alignment to our strategy.	Development of our sustainability strategy: Focus on the development of our Living Responsibly strategy.	<ul style="list-style-type: none"> • Shareholders • Colleagues • Customers
Governance matters (not directly linked to strategy) Development of stakeholder communication arrangements.	The Board has sought to improve its communications with stakeholders, especially investors and colleagues.	<ul style="list-style-type: none"> • Shareholders • Colleagues
Review of governance arrangements.	There has been focus during the year on making continuous improvements to Board reporting and decision making arrangements.	<ul style="list-style-type: none"> • Shareholders • Colleagues • Customers • Suppliers

Directors' conflicts of interest

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

Director induction and training

Induction plans are tailored for each Director when they join. During 2022, James Mack completed the induction we put in place in 2021 and Sonya Ghobrial began her induction, which will be completed in 2023. An induction plan is being put in place for David Barral, which will be delivered during 2023.

The induction plans include the supply of previous meeting papers, and meetings with: members of the Board and the Executive Committee, our corporate brokers and our internal and external auditors. For existing Directors, training is arranged as required.

Board and committee evaluation

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

- Composition, succession and evaluation.
- Leadership and division of responsibilities.
- Meeting processes.
- Evaluation processes.
- ESG and corporate sustainability (including purpose, values and culture).
- Additional comments.

The questionnaire was supplemented by one-to-one calls between each Director and Gaby. The responses were then anonymised, consolidated and shared with the Board ahead of a scheduled discussion.

2022 evaluation outcomes

The 2022 evaluation concluded that each Director, the Board and its Committees had all been effective in discharging their responsibilities. Noting their desire for continual improvement, the Directors agreed to progress the following in 2023:

- Continue the Board's succession planning with a focus on improving its diversity of skills, gender, ethnicity, experience, social background and in relation to the NEDs, seek to have a mix of portfolio NEDs and NEDs with executive roles.

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- b. Continue to improve Board reporting, meeting arrangements and communication of Board expectations to the Divisional Management Teams to support continued Board effectiveness.
- c. Consider use of an externally facilitated evaluation in the next few years.

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

Actions in response to the 2021 evaluation exercise:

As part of the Board's year end review, the Directors also reviewed the completion of actions identified during the previous year and confirmed that the actions were either completed or deferred for completion in 2023.

These included:

Agreed action	Progress report
a. Continuing to prioritise succession planning. This included recruiting an additional Non Executive Director in 2022 and, through that recruitment, taking steps to improve the Board's diversity (especially gender, ethnicity, expertise and sector).	Completed – we appointed Sonya in March 2022 and on 4 April 2023 we announced the appointment of David Barral as Chair Designate
b. Ensuring that each Committee provides sufficiently detailed reports on their discussions to the Board, so that all Directors are briefed on the Committees' work.	Completed – at each Board meeting following a Committee meeting, the relevant Committee Chair provides a verbal report. Helen Buck, who did not regularly attend the Audit & Risk Committee, also received copies of the minutes and had access to the Committee's papers.
c. Undertaking an externally facilitated evaluation in respect of 2022 and consider including feedback from our brokers and our auditor.	Deferred – the Board decided to defer this as it did not wish to undertake this ahead of a new Chair joining the Board.
d. Making continual improvements to our Board reporting and evaluation arrangements, including KPIs, management information and Board papers; and ensuring that Board meeting time is prioritised to the most important issues. The Board will consider alternating the focus within meetings between special projects updates and divisional deep dives.	Completed – reporting continued to evolve during 2022.
e. Further develop the Group's ESG strategy and Living Responsibly programme.	Completed – we published our first Living Responsibly Report in 2022 and progressed our sustainability priorities.

Nominations Committee Report

During 2022, the Nominations Committee was chaired by Bill Shannon and its other members were Gaby Appleton, Darrell Evans, James Mack and Sonya Ghobrial (from March 2022). David Barral joined the Committee on 3 April 2023 and he will take on the role of Chair at the close of the 2023 AGM, at which point Bill will retire from the Committee.

2022 highlights

The Nominations Committee met six times in 2022 and its discussions and decisions included:

- a. Extensions of Non Executive terms, with Gaby Appleton and Darrell Evan's terms both extended by three years. The Committee also implemented succession planning arrangements for the role of the Chair and to support this, the Board resolved to extend Bill Shannon's term to 31 December 2023.
- b. Retirement of Helen Buck from the Board in 2023 and consideration of her replacement. This included agreeing that her replacement would not be an Executive Director appointment. This is consistent with the Managing Directors of the other two Divisions not being Executive Directors, although they are all PDMRs.
- c. Review of the Executive and Senior Management Teams (including the Executive Committee). This included consideration of the Divisional leadership teams and also the appointments of individuals into senior management roles across the Group.
- d. Review of Board composition, including a review of Non Executive Director skills, experience, expertise, diversity and recruitment.
- e. The Group's diversity and inclusion projects and consideration of the FCA consultation on the diversity of listed company boards, committees and senior management teams. The Committee also adopted the Diversity Policy. See below for further details.

Non Executive Director recruitment

During 2021 and into 2022, we worked with Nurole ahead of appointing Sonya Ghobrial as an independent Non Executive Director. The appointment was reported in the Annual Report and Accounts 2021. Sonya's appointment on 4 March 2022 improved our gender diversity and she also brings highly relevant experience, which adds to the continuing development of the Group's strategy. In particular, her experience in ESG matters is supporting us in the development and communication of our Living Responsibly strategy.

During 2022, following a tender process, we selected and appointed Heidrick & Struggles to assist with the recruitment of a Non Executive Chair to succeed Bill Shannon. In carrying out our search we sought to ensure that the Nominations Committee was presented with a diverse longlist, from which it could make its selection. Heidrick & Struggles presented the Nominations Committee with a longlist from which Board members selected a shortlist of appointable candidates for interview following which David Barral was appointed as Chair Designate.

Heidrick & Struggles are signatories to the Government's Standard Voluntary Code of Conduct for Executive Search Firms. In all of our Director searches, we are clear that the Board is committed to improving its diversity (including gender, ethnicity and expertise) and this was a very important consideration for the Board and the Nominations Committee in 2022.

Neither Nurole nor Heidrick & Struggles has any connection to the Group, other than the provision of these services.

Board diversity and inclusion

The Nominations Committee and the Board received presentations on the Group's initiatives to promote diversity and inclusion and details of these initiatives in relation to colleagues are included in the ESG Report (page 30).

In relation to the diversity of the Board, its Committees and our Senior Management Team (including the Executive Committee), following publication by the FCA of the final rules in April 2022, in May 2022 following the recommendation of the Nominations Committee, the Board adopted its first diversity policy. A copy of the policy is available at [lslps.co.uk](https://www.lslps.co.uk).

The Diversity Policy sets out LSL's approach to diversity and inclusion in relation to the Board, its Committees and the Senior Management Team. It sits alongside other Group employment policies, which also seek to promote diversity and inclusion across the Group.

Summary of the Diversity Policy:

Importance of diversity	<p>The Board recognises the benefits of diversity. Through its recruitment, appointment and succession planning arrangements, LSL seeks to promote diversity including professional skills, experience, social backgrounds, gender and ethnicity, in addition to individual cognitive and personal strengths.</p> <p>In relation to the Board, LSL believes that diversity has a positive effect on decision making and benefits shareholders and other stakeholders. The Directors recognise that the Board and Committees set the tone for diversity and inclusion throughout the Group and that by actively reviewing, monitoring and engaging with discussions of diversity and inclusion, the Board is best able to drive a positive impact to the advantage of all stakeholders.</p> <p>While the policy includes targets in relation to gender and ethnicity, LSL recognises that other types of diversity exist, including sexual orientation, disability, neurodiversity and socio-economic background.</p>
Role of the Nominations Committee	<p>The Committee leads the process for appointments to the Board and its Committees, and ensures that plans are in place for orderly succession to both the Board and Senior Management positions. In discharging its duties, the Committee oversees the development of a diverse pipeline for succession.</p>
Role of the Remuneration Committee	<p>The Committee is responsible for the remuneration policy relating to the Chair, the Executive Directors and Senior Management (including the Company Secretary). The Remuneration Committee also reviews workforce remuneration and related policies and the alignment of incentives and rewards with culture and the promotion of diversity and inclusion in the LSL Group.</p>
Annual evaluation	<p>As part of the annual evaluation exercise, the Directors consider the Board and each Committee's composition, diversity and how effectively the members work together to achieve LSL's objectives.</p>
Diversity targets	<p>The Board has adopted measurable objectives for diversity of the Board and the Senior Management, which align with the FCA's final rules (see below).</p>
Annual reporting	<p>LSL will report annually in the Corporate Governance Report on whether it has met its targets and if not, the reasons for not meeting the targets. The reporting will also include details of the processes used in relation to appointments to the Board, its Committees and Senior Managers and their succession plans, and it will detail any changes to the Board that have occurred between the year end and the date that the annual report and accounts are approved by the Board. Finally, the reporting will include an explanation of LSL's approach to collecting data used for the purposes of making the disclosures required by the Listing Rules.</p>
Policy review	<p>The policy is subject to an annual review by the Nominations Committee on behalf of the Board.</p>

Corporate Governance Report including Nominations Committee Report

Diversity targets (effective April 2022):

1 January 2023 reporting

Board

Gender:

a. At least 40% women

Target not met: 33%

b. At least one woman in the role of Chair, Group CEO, Group CFO or SID

Target met: 100%

(Gaby Appleton is the SID)

Ethnic diversity: at least one Director who is from a minority ethnic background

Target not met: None

Senior Management Team

Gender diversity: by 1 January 2023 at least 33% are women and at least 33% are men

Female target not met: 28% female

Male target met: 72% male

Ethnic diversity: by 1 January 2023 at least 11% are from a minority ethnic background

Target not met: 10%

The targets will be reviewed during 2023 and may be adjusted by the Board on the recommendation of the Nominations Committee.

We have not yet met our targets relating to Board or Senior Management level diversity. This has been due to limited movement at these levels within 2022.

In relation to our recruitment activities, the Nominations Committee is focused on ensuring the inclusion of women and individuals of colour in Board and Senior Management (including Executive Committee) searches. We have reviewed our engagement with recruitment partners for senior roles and ensure that they have signed up to the Voluntary Code of Conduct for Executive Search Firms.* As part of this we have briefed recruitment/search partners on the importance of diversity and inclusion and are also working to ensure the longlists they provide meet their commitments in the code. During 2023 we will further develop our approach to engaging recruitment/search partners and ensure clarity of communication of these priorities for prospective applicants.

In April 2022, the FCA published its final rules on diversity reporting. The data set out below related to the Board and Executive Committee as at the date of this Report (2021: 4 March 2022):

Table 1 reporting on sex/gender representation

Gender	Number of Board members	% of Board	Number of senior positions on the Board ¹	Number in Executive Committee	% of Executive Committee
Men	7 (2021: 6)	78 (2021: 66)	3 (2021: 3)	7 (2021: 7)	78 (2021: 78)
Women	2 (2021: 3)	22 (2021: 34)	1 (2021: 1)	2 (2021: 2)	22 (2021: 22)
Other categories	—	—	—	—	—
Not specified/prefer not to say	—	—	—	—	—

Table 2 reporting on ethnicity representation

Ethnicity	Number of Board members	% of Board	Number of senior positions on the Board ¹	Number in Executive Committee	% of Executive Committee
White British or other White (including minority white groups)	9 (2021: 9)	100 (2021: 100)	4 (2021: 4)	7 (2021: 7)	78 (2021: 78)
Mixed/Multiple Ethnic Groups	—	—	—	—	—
Asian/Asian British	—	—	—	1 (2021: 1)	11 (2021: 11)
Black/African/Caribbean/Black British	—	—	—	1 (2021: 1)	11 (2021: 11)
Other Ethnic group, including Arab	—	—	—	—	—
Not specified/prefer not to say	—	—	—	—	—

Note:

¹ Senior positions refers to the roles of Chair, Group CEO, Group CFO, or Senior Independent Director.

* gov.uk/government/publications/standard-voluntary-code-of-conduct-executive-search-firms/the-standard-voluntary-code-of-conduct-for-executive-search-firms

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

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

Further details relating to diversity matters are included in the ESG Report (page 30), including our reporting on gender pay and gender and ethnic diversity in our Senior Management Team and the wider workforce. Diversity data included in the ESG Report which relates to our wider workforce is derived from figures representative of responses to the diversity question in our employee survey. Colleague diversity data is contained in the ESG Report (page 30).

The Living Responsibly Report, which is published at the same time as this Report and is available on our website (lspls.co.uk), also contains further details of our diversity and inclusion initiatives.

Culture

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

The Board has a range of mechanisms for monitoring our culture. These include:

- a. Monitoring employee engagement, as part of the Board engagement programme:
 - i. Results of the annual employee survey and regular pulse surveys are reported to the Board each year.
 - ii. The updated Speak Up Policy has been approved by the Board in 2022.
 - iii. Bill Shannon attended and presented at the Group's 2021 Senior Management Conference.
 - iv. Darrell Evans (designated Non Executive Director for Workforce Engagement) attends biannual meetings with the Employee Engagement Forum each year.
 - v. Group HR arrangements have been introduced in 2022 to enhance colleague engagement and communications.
- b. Receiving an annual presentation on the Group's culture by the Group HR Team. During 2022 this resulted in a review of colleague working arrangements.
- c. Receiving regularly reporting on our colleague diversity, equality and inclusion projects.
- d. Conducting an annual deep dive on our people strategy, including metrics on colleague attrition, talent and succession for Senior Managers, presented by the Group HR Director.
- e. Monitoring Senior Managers' leadership capability, development and succession through the Nominations Committee.
- f. Overseeing progress against Senior Managers' non-financial measures, which form part of the annual bonus plan.
- g. Regular updates on and annual reviews of our core Group compliance policies.

Share Dealing Code and Disclosure Committee

The Board may delegate responsibilities to a Disclosure Committee, which supports our compliance with the disclosure and control of inside information obligations as required by UK MAR. Notwithstanding this, the Board remains responsible for our compliance with all regulatory disclosure obligations and the Disclosure Committee refers matters to the Board as it sees fit. The Disclosure Committee met twice during 2022, once ahead of the announcement of the interim results statement in August 2022 and then ahead of the November 2022 trading update.

We also have a Share Dealing Policy and Share Dealing Code, to ensure compliance with UK MAR. The Share Dealing Policy and Share Dealing Code apply to our Directors, our PDMRs (all listed above) and other relevant employees of LSL.

Subsidiary governance

Day to day management of the Group's subsidiary companies is delegated to the respective Divisional management committees and to the boards of the subsidiary companies. During the year we undertook a review of subsidiary governance including a review of our subsidiary boards and have revised and re-issued our guidance to subsidiary directors. We also delivered training to our subsidiary directors during 2022. We are also working on the delivery of online remote training for Group directors and revisions to our Group subsidiary governance guidance following the Internal Audit review (see below).

During 2022 the Internal Audit team conducted an audit of subsidiary governance arrangements. The report includes recommendations which are being considered by the Divisions and the Group's Company secretariat.

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Colleague matters

Gender pay reporting

We published our gender pay reports for all Group companies with more than 250 employees in April 2022 and further reporting will be published in 2023. The 2022 report is available to view at gender-pay-gap.service.gov.uk.

Other pay reporting

We are continuing to monitor the Government's reviews in relation to ethnic pay reporting and looking at what steps would need to be taken to ensure compliance with any proposed future reporting. We have also signed up to the CBI's Change the Race Ratio charter, see the ESG Report for further details.

Whistleblowing, fraud and anti-bribery arrangements

The Board oversees our whistleblowing arrangements and the Audit & Risk Committee receives reports on fraud and anti-bribery matters, including those reported through the Group's whistleblowing procedures. The Audit & Risk Committee also receives reports on any matters which relate to our internal controls and risk management arrangements, including those relating to any incidents of fraud or bribery. Further details are included in the Audit & Risk Committee Report (page 67) and the Principal Risks and Uncertainties (page 25) sections of this Report.

The ESG Report (page 30) includes details of our whistleblowing arrangements, alongside other colleague policies included within the governance workstream of our ESG programme

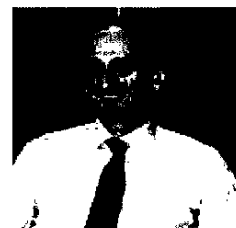
The Corporate Governance Report is approved by and signed on behalf of the Board of Directors

Sapna B. FitzGerald

Company Secretary

12 April 2023

Audit & Risk Committee Report



Dear Shareholder

As Chair of this Committee, I am pleased to present our report for the year ended 31 December 2022.

This proved to be a challenging year due to market conditions and against this backdrop we have sought to continue to improve our internal controls and risk management arrangements and to ensure that, as a Committee, we focused our discussions on managing key risks and identifying emerging risks.

In this section of the Report, we detail how the Committee discharged its roles and responsibilities during 2022, provide highlights from the year and set out our priorities for 2023. The 2023 priorities include developing our Group risk framework and completing an external audit tender, to appoint a new auditor ahead of 2026.

I will be available at the 2023 AGM, along with my fellow Directors, to answer shareholders' questions relating to the Audit & Risk Committee and how we discharged our roles and responsibilities during 2022.

James Mack

Chair of the Audit & Risk Committee

12 April 2023

Audit & Risk Committee Report

Audit & Risk Committee

The Audit & Risk Committee discharges governance responsibilities in respect of audit, risk and internal controls and reports to the Board on the results of its work. Details of the Committee's roles and responsibilities are set out in its terms of reference, which are available at [islps.co.uk](https://www.islps.co.uk).

The Committee

All of the Committee's members are independent Non Executive Directors. During 2022, James Mack chaired the Committee. The Committee determined that James has relevant and recent financial experience to Chair the Committee. The Committee also noted that Darrell Evans, who is a member of the Committee, also has recent financial experience which is relevant to the Committee.

In addition to the three scheduled meetings each year, the Committee will meet as required. The Committee also ensures that it meets regularly with both the external and internal auditors, independently of the Executive Directors.

Details of the Committee members' attendance at its meetings in 2022 are set out in the Corporate Governance Report (page 54).

2022 highlights

The Committee met three times in 2022 and its key activities included the following:

- a. *Providing assurance to the Board on whether this Report, taken as a whole, is fair, balanced and understandable.*
- b. Reviewing papers supporting significant judgements made within the Financial Statements of this Report, such as goodwill and revenue recognition.
- c. Considering the effectiveness of the wider control environment and underlying financial reporting systems.
- d. Assessing the measures taken to ensure the Group maintained sufficient liquidity within its capital structure, together with the stress tests and financial modelling assumptions used to conclude on the Group's Going Concern Statement and Viability Statement (see page 49 and pages 28 and 29 of Principal Risks and Uncertainties).
- e. Approving the annual Internal Audit plan and considering the results of an extensive range of related thematic assurance reviews. Focus areas continued to include health and safety topics, sales conduct themes, second line effectiveness, strategy execution and the resilience of core business systems.
- f. Assessing the effectiveness of the Internal Audit function through internal feedback and an external quality assurance exercise on an Internal Audit report relating to a Financial Services business.
- g. Reviewing Divisional risk presentations, including views on key risks, risk management frameworks and consideration of Group matters not fully captured at Divisional level.
- h. Monitoring the strengthening of risk-related roles across the Group, including progress with appointments to roles within the Financial Services Division, such as the new chief technology officer and the independent non executive director appointment as chair of the PRIMIS Network Compliance & Risk Committee (subject to FCA approval), who will also attend the PRIMIS Business Reviews with the Executive Directors.
- i. Reviewing Divisional risk appetite themes, emergent areas and escalation routines, including ensuring a cautious approach is adopted for any weaknesses in health and safety or sales conduct arrangements.
- j. Reviewing governance routines supporting our information and data security and technology infrastructure, including Divisional attestations and monitoring of compliance with minimum policy standards, driven by the Group's Data and Information Security Committee.
- k. Monitoring the appointment of the new audit partner following the rotation of the previous partner and considering the effectiveness of external audit processes and plans for tendering for audit services.
- l. On behalf of the Board, reviewing the effectiveness of the Group's whistleblowing arrangements, with support from Group HR. This includes reporting on a colleague speak up exercise, which was run by the Group HR team during 2022 and involved colleagues from across the Group.

Committee work in 2022

During 2022, we focused on a range of issues and accounting judgements relating to the Financial Statements. We also received reports from and monitored the external and internal audit teams, as well as reviewing the Group's risk management and internal control systems and procedures. The table below summarises our activities in the year.

Area	Key responsibilities	Activities during 2022
Financial reporting	<ul style="list-style-type: none"> • Provide assurance to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable. • Review significant judgements and assumptions made within the Financial Statements, including valuation of goodwill and appropriateness of revenue recognition. • Ensure clarity of disclosures and compliance with the Listing Rules and other regulatory requirements. • Provide assurance to support the long term Viability Statement and the procedures for evaluating the Going Concern assessment. • Ensure the integrity of formal announcements relating to the Group's financial performance, including the half year and full year Financial Statements. 	<ul style="list-style-type: none"> • Examined the integrity of the full year and half year Financial Statements and recommended their approval to the Board. • Assessed the appropriateness of key accounting policies and practices, judgements, estimates and compliance with accounting standards and tax requirements, including recent developments. In particular, considered the appropriateness of revenue recognition, including lapse provisions, and the carrying value of goodwill. • Reviewed significant issues in relation to the Financial Statements as outlined in note 2. • Reviewed Management's calculations and assumptions applied in the annual goodwill impairment test. This resulted in impairment of £87.2m at 31 December 2022 (see note 16). • Considered the findings of financial audits completed by Internal Audit, as part of its assurance plan. • Considered whether a reasonably possible change to assumptions in the impairment test would result in a material impairment and therefore require sensitivity disclosure in the Financial Statements (see note 16). • Reviewed Management's application of revenue recognition policies and continued monitoring of compliance with financial reporting and accounting controls linked to revenue recognition. There were no changes to the Group's revenue recognition practices during the year. • Reviewed Management's estimates of the lapse provisions and considered the risk that revenue is recognised in the wrong period, either due to cut-off errors, management bias and/or estimation uncertainty. • Reviewed the Viability Statement and Going Concern Statement and assessments and their supporting material and advised the Board that the Group is able to continue in operation and meet its liabilities as they fall due for at least the next 12 months. • Assessed the Group's capital structure and capital allocation policy including the dividend policy. • As part of the Annual Report review, considered that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable. • Reviewed the Group's ESG disclosures including TCFD. • Received Management reports on an exchange with the FCA relating to the Group's TCFD disclosures following the FCA thematic reviews relating to 2021 reporting.

Audit & Risk Committee Report

Area	Key responsibilities	Activities during 2022
Risk management	<ul style="list-style-type: none"> Review the effectiveness of the Group's risk management framework, governance arrangements and procedures. Advise the Board on current and emerging risks. 	<ul style="list-style-type: none"> Completed the annual review and recommendation of the Audit & Risk Committee's terms of reference, Group reporting on Divisional risk framework policies and related Group and Divisional governance structures. Reviewed the operation of our 'three lines of defence' risk management structure. Regularly reviewed the Group's principal risks and uncertainties, including underlying Divisional risk routines and emerging risk areas. This included discussions relating to the steps Management are taking in relation to the continued development of the Group's risk framework and risk appetite, and consideration of Group and Divisional risk roles. Focused on the effectiveness of Divisional routines to define, identify and respond to areas outside risk tolerance, including their interaction with Group standards and appetite. Promoted a culture which is designed to ensure regulatory compliance, stakeholder safety and 'speaking-up' on any concerns.
Internal control	<ul style="list-style-type: none"> Review the internal control environment, to ensure that processes are effectively designed to reduce risk and the likelihood of material error or fraud. Consider the operation and effectiveness of the Group's internal control systems, covering financial, operational and compliance controls. 	<ul style="list-style-type: none"> Discussed the continued development of the Group's risk management framework and governance committee structures – see above. Considered outputs from the Divisional 'three lines of defence' oversight and compliance routines. Reviewed control environment assessments prepared by Group Finance and the Divisional Managing Directors, supported by their risk teams. Evaluated control benchmarks and compliance performance versus defined policy and procedural standards. Monitored the effectiveness of internal and external auditing processes and themes arising from their outputs. Carried out external quality assurance on an Internal Audit engagement, as part of routines to benchmark the effectiveness of the Internal Audit team.

Area	Key responsibilities	Activities during 2022
External audit	<ul style="list-style-type: none"> Make recommendations to the Board on the appointment, reappointment, and removal of the external auditor. Assess the independence, objectivity and effectiveness of the external auditor. Approve the external auditor's fees. Agree the scope of the audit with the Group's external auditor Review the external auditor's findings and its key focus areas. 	<ul style="list-style-type: none"> Ensured Ernst & Young has adequate processes to maintain independence. Jenn Hazlehurst took over as audit partner in 2022 ahead of the 31 December 2022 audit, as a result of the audit partner rotation rules. Following our announcement on 17 March 2023, Jenn Hazlehurst was replaced by David Wilson as the audit partner following an unanticipated absence which meant that Jenn was unable to complete the audit. Started planning for an external audit tender exercise (see below). Completed the annual review and recommendation of the Auditor Independence Policy. Reviewed the materiality and effectiveness of planning, including relevant risk-based focus areas and the changing profile of profit contributions across relevant entities. Evaluated the audit findings, including resolution of any issues and feedback on the quality of interactions with relevant Divisional senior management. Considered fee levels. The only fees incurred in respect of non-audit services was in relation to the interim review (see note 10). Reviewed the effectiveness of the external audit process, taking into consideration applicable UK professional and regulatory requirements, independence considerations and feedback from Divisional senior management. Considered the external auditor's effectiveness and independence, with the conclusions supporting the recommendation to reappoint Ernst & Young as external auditor at the 2023 AGM. Ernst & Young's audit tenure began in 2004, although LSL did not list until 2006. LSL and Ernst & Young have concluded that Ernst & Young's 20-year term cannot exceed 2026 (being 20 years from our listing on the LSE). This means that their last year for audit services can't exceed 2025 which will be reported in 2026. A new external auditor will be appointed prior to the commencement of the FY25 audit. The last audit tender took place in 2016.
Internal Audit	<ul style="list-style-type: none"> Assess the scope of the Internal Audit plan, the effectiveness of its delivery and any resourcing implications. Ensure the Internal Audit function has open lines of communication and access to records. Review themes arising from Internal Audit outputs, including resolution of issues and emergent areas. 	<ul style="list-style-type: none"> Approved the audit plan and supporting papers, including the wider three year assurance cycle and Internal Audit charter which covers our Internal Audit team. Reviewed an external quality assurance output and internal benchmarking exercise, supporting the effective operation of the function during the year. Tracked the completion of agreed Internal Audit actions. Reported themes and resultant Group-level recommendations to each Committee meeting.
Other key matters	<ul style="list-style-type: none"> Evaluate the Committee's effectiveness. Monitor fraud-related suspicions. 	<ul style="list-style-type: none"> Confirmed the Committee is effective, as part of the annual Board and Committee evaluation process. This included confirming that the skills and expertise of our members are appropriate and specifically that James (Chair) has recent and necessary financial experience, in addition to Darrell (member). Tracked fraud-related suspicions across the Group and logged investigations, conclusions and remedies.

Audit & Risk Committee Report

Priorities for 2023

Our continued focus areas for 2023 include the following:

- a. Monitoring emerging areas affecting the Group's risk profile, including changes in the regulatory environment and clearly defining our risk appetite. This includes monitoring arrangements for the implementation of the FCA's new consumer duty principle.
- b. Promoting ownership and alignment of robust risk management routines across all of our businesses and lines of defence.
- c. Developing escalation and attestation routines from underlying committee structures on risk and control matters.
- d. Ensuring robust and resilient cyber security controls. This will involve feedback from the technology assurance routines driven by relevant governance forums and oversight functions.
- e. Reviewing Internal Audit engagements covering the effectiveness of financial controls, regulatory change management, technology risk and second line oversight routines.

New focus areas include:

- a. Developing the Group risk framework and risk appetites, including a review of risk management roles.
- b. Continuing to plan for the appointment of a new external auditor ahead of 2026, including conducting the audit tender exercise.
- c. Monitoring risks associated with delivery of the high priority projects and any related Group restructuring/simplification.
- d. Strengthening the Financial Services risk management arrangements, reflecting the importance of the Division to our strategy and the significant regulatory changes which are impacting this part of our business.
- e. Reviewing our participation in the Pivotal Growth joint venture, reflecting its part in the Group's growth strategy.

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

James Mack

Chair of the Audit & Risk Committee

12 April 2023

Directors' Remuneration Report including Remuneration Committee Report



Annual Statement

Dear Shareholders

As Remuneration Committee Chair I am pleased to present the Directors' Remuneration Report for 2022.

This Directors' Remuneration Report is divided into the following sections:

- **Annual Statement:** summarising remuneration for 2022, explaining major decisions made during the year and the operation of the Directors' Remuneration Policy (Policy) for 2023;
- **Directors' Remuneration Policy:** setting out the proposed Policy being presented for shareholder approval at the 2023 AGM; and
- **Annual Report on Remuneration:** setting out details of the remuneration earned by Directors in 2022 and how the Policy will be implemented during 2023.

The Policy is subject to a binding vote every three years, or sooner if the Policy changes. The Policy was last submitted and approved by 97.1% of shareholders voting at the 2020 AGM and, accordingly, it is being submitted for its triennial binding shareholder vote at the forthcoming 2023 AGM.

The Annual Statement and the Annual Report on Remuneration are subject to a combined shareholder advisory vote, which we will present for approval at the 2023 AGM. For further details, see the Notice of Meeting.

Summary of LSL's performance in the year and incentive payments to Executive Directors

LSL has traded well in what have been challenging market conditions, whilst at the same time making good progress in the execution of our strategy. The mortgage and housing markets have been adversely impacted by economic and political uncertainty and this is reflected in the underlying remuneration outcomes for the year.

Bonus

The Executive Directors' bonus scheme in 2022 was based 70% on Underlying Operating Profit and 30% on individually agreed non-financial measures, with the maximum bonus opportunity set at 100% of basic salary. The bonus targets set for each of the Executive Directors at the start of 2022 were stretching and reflected the housing market outlook at the time. As the financial results fell well short of the targets set, the Executive Directors have not been awarded any bonus in respect of this element for 2022. The Committee noted that for the individual non-financial measures there was a more positive performance, with a number of objectives being delivered. After due consideration and noting the very decisive shortfall in the financial performance and notwithstanding the exceptional performance in the circumstances, it was agreed by the Committee to exercise discretion and not award any bonus for this element either.

2020 LTIP

The 2020 LTIP award was granted later than normal in 2020, initially because of a possible all-share combination with Countrywide plc and latterly as a result of the uncertain trading conditions in early 2020 due to the COVID-19 pandemic. The LTIP was awarded to Executive Directors in November 2020, and the Committee decided to scale back the grant from 125% of salary to 104% of salary, to reflect the relative fall in LSL's share price during 2020. The Committee also carefully considered the appropriate performance metrics to apply to the awards, and because of the difficulty in forecasting the medium to long term trading conditions at the time, chose to adjust the weighting of the performance metrics to be 50% based on EPS and 50% on relative TSR, against the FTSE Small Cap.

The EPS performance period ended on 31 December 2022 and the targets have been partially achieved resulting in 47.2% of this element vesting. However due to the delay in granting the 2020 LTIP awards, the TSR performance period for the award was set as the three year period from grant ending 8 November 2023. The final vesting outcome of the LTIP award is therefore not yet fully known. LSL's TSR performance in the final three months of 2022 forecasts a partial vesting of this element of 25.3%, which will be tested following the end of the performance period in November 2023 and disclosed in next year's Annual Report and Accounts. Based on the final EPS outcome and the forecast TSR outcome the overall forecast level of vesting of the 2020 LTIP award is 36.3% of maximum.

The Committee considered the appropriateness of the forecast vesting outcome, taking into account business performance, the share price at grant of £2.10, the scale back of award levels at grant, the share price performance over the period and the share price level at the date of this Report of £2.46. Taking these factors into consideration, the Committee considers the current formulaic forecast incentive outcome for the 2020 LTIP award to reflect the business performance over the three year period and is comfortable that there are no 'windfall gains' that require a scale back of the vesting level. This will be reviewed again in November 2023, prior to vesting, to ensure this continues to remain the case.

In determining whether the incentive outcomes for FY22 were appropriate and if the Policy had operated as intended, the Committee also considered workforce remuneration and outcomes, the relativities between employees and Executive Directors, including the Group CEO pay ratio, and the wider stakeholder experience. The Committee also considered whether there were any relevant ESG matters that we needed to

Directors' Remuneration Report including Remuneration Committee Report

take account of when reviewing the remuneration outcomes and concluded that there were no such factors that needed to be considered. Further details of performance against the targets for the annual bonus and LTIP awards are set out in the Annual Report on Remuneration (page 89).

Key decisions taken by the Committee during 2022

Triennial Policy Review

The Committee thoroughly reviewed the Policy during 2022. This was supported by our external remuneration advisors, Korn Ferry and involved engaging with major shareholders, the proxy voting agencies and our colleagues via our Employee Engagement Forum.

The Committee's review concluded that the current Policy is working effectively, supports our business strategy and creates a good link between performance and reward. Furthermore, the Policy is in line with investor expectations and the requirements of the Code. As a result, the Committee is only proposing one minor amendment to the Policy which provides greater flexibility, if needed, in operating the Policy over the next three year cycle. The proposed change removes the requirement for at least 30% of LTIP awards to be based on TSR and provides sufficient flexibility to select financial and non-financial metrics, which may include for example strategic or ESG metrics. There is no intention at this time to change our current approach of setting TSR and EPS targets for the vesting of our LTIP awards but this change to the Policy provides us with flexibility if needed. The new Policy is detailed in full on page 76 and will be submitted for shareholder approval at the 2023 AGM. I would like to thank investors for their feedback as part of our engagement on our new Policy.

Colleague pay

The Committee is keen to continue to understand the workforce's views of remuneration and I was pleased to attend meetings with our Employee Engagement Forum during the year, in my roles as both the designated Non Executive Director for workforce engagement and Remuneration Committee Chair. The Committee has been mindful of the cost of living challenges faced by colleagues and we were pleased to recommend for approval by the Board a cost of living award of £500 for all colleagues who are earning less than £30,000 per annum (on a full time basis) before the end of the year. This award has benefitted over 2,000 colleagues and has been very well received. The award was in addition to the higher average pay review award that was made to lower-paid colleagues during 2022.

Further, early in 2022 the Committee approved our second free share award to all colleagues across the Group, which was worth up to £500 per employee. This award has enabled colleagues to share in our positive financial performance in 2021. It also aligns colleague and shareholder interests, and we hope it will encourage colleagues to remain with the Group.

Executive Director changes

As announced in June 2022 Helen Buck, Executive Director – Estate Agency retired from the business on 31 March 2023, which is in line with her nine month notice period. During her notice period, Helen continued to receive her normal basic salary, car allowance and benefit entitlements as detailed in full in the Annual Report on Remuneration section of this Report (page 88). In line with the other Executive Directors, Helen did not receive any bonus award for 2022. Furthermore, as Helen has left the business this year, she did not receive an annual pay increase, annual bonus or an LTIP award in 2023.

As Helen was retiring from the business the Committee awarded Helen good leaver status on her unvested LTIP awards. These awards have been pro-rated to the extent that Helen was employed during the three year vesting period and will vest at the normal date and be subject to the achievement of relevant performance conditions, as detailed at the time of grant and assessed by the Committee at the time of vesting. Helen's awards will be subject to both post-vesting holding periods and post-employment holding periods, in line with the Policy.

Implementation of the Policy for 2023

The Executive Directors (excluding Helen Buck) will receive salary increases of 3%, rounded to the nearest £250. This increase is below the average pay award for the wider workforce of 5% of salary, with colleagues in the lowest pay grades receiving the highest increases, to help address cost of living challenges. In line with the Executive Director awards, the Non Executive Directors and Chair of the Board will also receive fee increases of 3%, rounded to the nearest £250.

The annual bonus will be subject to the same performance conditions as last year, namely 70% based on Underlying Operating Profit and 30% based on non-financial measures. The non-financial measures will continue to include ESG targets which focus on delivering corporate sustainability targets including emission targets and improving gender and other diversity disparities in key colleague groups. The Committee considers the weighting to non-financial measures for Executive Directors remain appropriate, as it emphasises the importance of key strategic objectives as a driver of further profitability and growth.

In relation to the LTIP awards for 2023, the Committee has approved the granting of awards at the normal award level of 125% of salary to the Executive Directors. The 2023 LTIP awards will continue to be based 50% on EPS and 50% on TSR, in line with the 2022 grants. TSR performance will continue to be measured relative to the FTSE Small Cap index (excluding investments trusts) and the EPS targets have been set to ensure they are as stretching as previous years, taking into account both the business and market outlook. Details of these targets can be found in the latter section of this Report (page 92).

The Committee has also discussed the possibility of granting a further LTIP award, of up to 75% of salary, to the Executive Directors later in the year, if substantial strategic projects are delivered that would provide the potential to add significant value to the Group. This additional award would increase the total 2023 LTIP award for Executive Directors to no more than 200% of salary, in line with the exceptional award limit included in the Policy. Any further award would only be made following consultation with our largest shareholders, to outline fully the rationale for making these awards. Vesting of any additional award would also be based on the achievement of exceptionally stretching financial targets to further incentivise the Executive Directors to maximise the growth opportunities presented by these strategic changes and to increase alignment of interests with those of shareholders.

Conclusion

The Committee believes that the remuneration arrangements for the Executive Directors and Senior Management Team are aligned to our strategic goals and incorporate the Group's key performance indicators. We have also reviewed the implementation of the Policy for 2022, to ensure it is aligned with our purpose, culture and values. We are comfortable that the remuneration outcomes for 2022 are aligned to performance, and the exercise of discretion to reduce the bonus payout to zero is appropriate. Furthermore, the Committee is satisfied that that the new Policy will continue to promote our long term success and that it incentivises the delivery of strong and sustainable financial results, with the creation of shareholder value. Accordingly, the Committee seeks shareholders support for the resolutions to approve the Policy and remuneration arrangements at the 2023 AGM. If shareholders have any questions or observations, then I will be pleased to hear from you directly ahead of the 2023 AGM.

I can also be contacted via the Company Secretary's office (please see details on page 183).

Darrell Evans

Chair of the Remuneration Committee

12 April 2023

Directors' Remuneration Report including Remuneration Committee Report

Directors' Remuneration Policy

Introduction

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

The current Policy was approved by shareholders at our AGM on 30 June 2020 and is effective until the new Policy (see below) is approved by shareholders at the 2023 AGM. The current Policy can be found in the 2019 Directors' Remuneration Report and is available on our website ([islps.co.uk](https://www.islps.co.uk)).

Consideration of Code Provision 40

In determining the Policy and its operation in 2022 and identifying required amendments to the Policy to be effective from 1 January 2023 onwards, we considered the following six factors which are referred to in the Code:

- **Clarity** – the Policy is well understood by our Senior Management Team and has been clearly explained to our shareholders through direct engagement and our annual remuneration reporting. Engaging on all people-related matters, including remuneration, is a key responsibility for our Group HR Director and Darrell, the designated workforce engagement Non Executive Director. This engagement is conducted via meetings with our Employee Engagement Forum and our colleague surveys, the results of which are presented to the Board.
- **Simplicity** – our focus is to ensure that our Policy and practices are simple and straightforward and that the objectives and deliverables are clear. We only operate two incentive plans, an annual bonus and a long term incentive scheme (LTIP). Targets are based on business KPIs and measure performance against them, tracking and rewarding progress toward achieving our strategies and longer term sustainable growth.
- **Risk** – the Policy is designed to ensure that reputational, behavioral and other risks are managed and will not be rewarded via (i) a balanced use of fixed and variable pay, with both short and long term incentive plans, which employ a blend of financial, non-financial and shareholder return targets, (ii) the significant role played by equity in the incentive plans (together with executive shareholding guidelines in service and the post-service policy) and (iii) the inclusion of malus/clawback provisions.
- **Predictability** – our incentive plans are subject to individual caps, with share plans also subject to market standard dilution limits. The scenario charts on page 83 illustrate how the rewards potentially receivable by the Executive Directors vary based on performance delivered and share price growth. The Committee also has the discretion to adjust any vesting outcomes if they are not considered appropriate.
- **Proportionality** – there is a clear link between individual awards, delivery of strategy and our long term performance. In addition, the significant role played by incentive or 'at-risk' pay, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded.
- **Alignment to culture** – the incentive schemes drive behaviours consistent with our purpose, values and strategy (including the Group's ESG and corporate sustainability strategies), by using metrics in both the annual bonus and the LTIP that underpin the delivery of our strategies. Colleague personal success is directly linked to the success of our clients and businesses, through the short and long term incentive plans and targets which we operate.

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

Policy overview

When setting the Executive Directors' and Senior Managers' remuneration, the Remuneration Committee seeks to ensure that all individuals are provided with appropriate profit based incentives and an element of pay relating to non-financial performance measures. The aim is to enhance performance and ensure that individuals are fairly and responsibly rewarded for their contributions to the Group's success.

Our policy is to provide remuneration packages which attract, motivate and retain Executive Directors of the calibre necessary to maintain and improve the Group's profitability, to reward them for long term sustainable performance and growth and to enhance shareholder value. In doing this, we aim to provide a market competitive (but not excessive) package of pay and benefits. Our general remuneration policy is to set basic salaries around mid-market levels and to set performance pay levels by applying stretching goals that accord with our general policy of making bonuses self-financing wherever possible. Remuneration packages will also reflect individual responsibilities and contain incentives to deliver our strategic objectives.

Decision making process for determination, review and implementation of the Policy

The Committee reviews the Policy and its operation to ensure it continues to support and reward the Executive Directors for achieving the business strategy, both operationally and over the longer term. It reviews the structure and quantum of rewards and takes into account the Code, market practice, shareholder views and the views of institutional investors and investor representative bodies. The Committee also considers the remuneration arrangements, policies and practices for the workforce as a whole which it reviews as part of its annual agenda.

The Committee reviews the Policy annually, to ensure that changes are not required before the triennial shareholder vote. When the Committee determines that changes are required it will formulate proposals and consult with shareholders. Shareholder feedback is then taken into consideration in finalising any changes.

The Policy's operation is considered annually for the year ahead, including metrics for incentives, weightings and targets. The Committee reviews the Policy's operation for the prior year and considers whether, in light of the strategy, changes are required for the coming year. Targets for the annual bonus and LTIP awards are also reviewed to determine whether they remain appropriate or need to be recalibrated. Shareholder views will be sought depending on the changes proposed.

Consideration of shareholder views

Each year the Committee considers shareholder feedback received in relation to our Annual Report and Accounts, including the Directors' Remuneration Report. This feedback, plus any additional feedback received during any meetings or consultations with shareholders during the year is also considered as part of our review of the Policy and its annual implementation review. In addition, the Committee engages directly with significant shareholders and their representative bodies in respect of any proposed changes to the Policy and, as appropriate, changes to the implementation of the Policy. Details of votes cast for and against the resolution to approve the previous year's Directors' Remuneration Report and any matters discussed with shareholders during the year are set out in the Annual Report on Remuneration (page 99).

During the year, the Committee engaged with shareholders to explain the proposed changes to the Policy and gather their feedback. Overall those shareholders who provided feedback were supportive of our Policy proposals. As a result of feedback we adjusted our approach to providing flexibility in the selection of LTIP metrics to ensure that the Policy specifies that no more than 30% of the LTIP can be based on non-financial metrics.

For further details of the way in which we communicate with shareholders, please see the Shareholder Relations section of the Corporate Governance Report (page 54) and the Stakeholder Engagement section of this Report (page 21).

Wider workforce considerations

As part of its remit under the Code the Committee considers the remuneration arrangements for the wider workforce and related policies, to ensure the incentives and rewards align with culture, and take these into account when setting the Policy and in determining the remuneration for the Executive Directors and Senior Managers to ensure consistency of approach throughout the Group. The Non Executive Director designated for workforce engagement (Darrell Evans) also regularly meets with the Employee Engagement Forum to discuss a range of topics including remuneration issues and shares feedback with the Committee and the Board, ensuring that colleague views are taken into consideration in decision making.

Annual bonus, annual bonus share investment and long term incentive awards align the interests of Senior Managers with shareholders. The Committee also considers average base salary increases awarded for colleagues and pay structures throughout the business. The remuneration policy for all employees is determined in line with best practice and aims to ensure that we are able to attract and retain the best people. This principle is followed in developing the Policy.

During 2022, employees' views on the Policy were obtained from the Employee Engagement Forum. Furthermore, the Group HR Director attends all Committee meetings by invitation to provide perspective on Group HR policies and practices, including from a colleague perspective. The Annual Report on Remuneration details the engagement undertaken to explain the alignment of the Policy to the wider Group remuneration policy.

Proposed changes to Policy

There is only one change to the Policy which is in respect of the selection of metrics for LTIP awards. The amendment removes the requirement for at least 30% of LTIP awards to be based on TSR and provides that non-financial metrics may account for up to 30% of the LTIP award.

Directors' Remuneration Report including Remuneration Committee Report

Policy detail by remuneration element

Element of remuneration arrangements	How this component supports LSI strategies	Operation	Maximum	Performance metrics and period
Basic salary	<ul style="list-style-type: none"> Reflects the value of the individual and their role. Reflects skills and experience over time. Provides an appropriate level of basic fixed income, avoiding excessive risk arising from over reliance on variable income. 	<ul style="list-style-type: none"> Reviewed annually, normally effective 1 January. Periodic comparison to companies with similar characteristics and sector comparators. 	<ul style="list-style-type: none"> There is no prescribed maximum annual basic salary increase. The Remuneration Committee is guided by the general increase for employees but may decide to award a lower increase for Executive Directors or higher increase to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take account of relevant market movements. Current basic salary levels are set out in the Annual Report on Remuneration. 	<ul style="list-style-type: none"> Not applicable.

Element of remuneration arrangements	How this component supports LSI strategies	Operation	Maximum	Performance metrics and period
Annual bonus	<ul style="list-style-type: none"> Incentivises annual delivery of financial and strategic goals Maximum bonus only payable for achieving demanding targets. 	<ul style="list-style-type: none"> Targets reviewed annually. Bonus level is determined by the Remuneration Committee after the end of the financial year, subject to performance against targets set at the start of the financial year. The Remuneration Committee has the discretion to adjust or override formulaic outcomes for annual bonus payment, if the Committee considers it does not reflect the Group's underlying performance, taking into account amongst other things, the quality of earnings that underlie the pay and vesting outcomes, which may put at risk future cash flows, as well as investor experience and the employee reward outcome. The Group CEO is required to purchase and hold shares equivalent to 33% of any bonus earned, net of tax, for a period of two years. The other Executive Directors are required to purchase and hold shares equivalent to 25% of any bonus earned net of tax, for a period of two years, which will in normal circumstances continue post-cessation of employment. For all Executive Directors on cessation of employment, these shares will not be forfeited for any reason. However clawback and the holding period will continue to apply. Not pensionable. Bonus awards are subject to clawback and malus for six years from payment, in circumstances of: material misstatement of financial results, corporate failure, failure of risk management, reputational damage, error, inaccurate or misleading information in determining a performance condition or any other matter determining the vesting of an award, breach of relevant regulations, an act or omission during the vesting period to the significant detriment of customers, or an act or omission leading to gross misconduct. Recovery can be made through scaling back existing awards, reducing future awards, including under the LTIP, and requesting repayment as a cash sum. 	<ul style="list-style-type: none"> Maximum opportunity: 100% of basic salary with the ability to increase to 125% of basic salary*. *Maximum opportunity will not be increased above 100% of basic salary without significant shareholder consultation. 	<ul style="list-style-type: none"> Performance period of one year. Performance metrics: <ul style="list-style-type: none"> a maximum of 30% of the award will be determined by non-financial measures and a minimum of 70% by financial measures; and not more than 20% of the total bonus will pay out at threshold.

Directors' Remuneration Report including Remuneration Committee Report

Element of remuneration arrangements	How this component supports LSL strategies	Operation	Maximum	Performance metrics and period
LTIP awards (approved by shareholders at the 2017 AGM)	<ul style="list-style-type: none"> Aligned to Group key performance indicators that drive the strategies and performance of the businesses. 	<ul style="list-style-type: none"> Awards of nil-cost or conditional shares are made annually, with vesting dependent on achieving performance conditions over three years. The Remuneration Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures. The Committee has the discretion to adjust and override formulaic outcomes of LTIP vesting, if it considers that it does not reflect the Group's underlying performance, taking into account amongst other things the quality of earnings that underlie the vesting outcomes, which may put at risk future cash flows, as well as the investor experience and the employee reward outcome. The Committee has discretion to provide for dividend equivalents in shares to accrue from the date of award to the vesting date or, if applicable, to the end of any post-vesting holding period. LTIP awards are subject to clawback and malus for six years from vesting, in circumstances of: material misstatement of financial results, corporate failure, failure of risk management, reputational damage, error, inaccurate or misleading information in determining a performance condition or any other matter determining the vesting of an award, breach of relevant regulations, act or omission during the vesting period to the significant detriment of customers, or an act or omission leading to gross misconduct. Recovery can be made through scaling back existing awards, reducing future awards, including under the annual bonus and requesting repayment as a cash sum. 	<ul style="list-style-type: none"> Normal maximum limit of 125% of basic salary, with grants of up to 200% of basic salary being made in exceptional circumstances. 	<ul style="list-style-type: none"> Performance period: normally three years. A two year post-vesting holding period applies and in normal circumstances continues to apply post-cessation of employment. Up to 30% of the award may be determined by non-financial measures such as strategic measures or ESG. The remaining value of the award will be determined by financial measures, for example but not limited to EPS and TSR. 25% vests at threshold for all parts of the LTIP.

Element of remuneration arrangements	How this component supports LSL strategies	Operation	Maximum	Performance metrics and period
All-employee share schemes: SAYE, SIP/BAYE and CSOP	<ul style="list-style-type: none"> Encourages long term shareholding in LSL. 	<ul style="list-style-type: none"> Invitations from the Remuneration Committee under the approved SAYE, SIP/BAYE and CSOP. 	<ul style="list-style-type: none"> As per HMRC limits. 	None.
Executive share ownership guidelines	<ul style="list-style-type: none"> Aligns Executive Directors and shareholders. 	<ul style="list-style-type: none"> The Group CEO is required to build and maintain a minimum shareholding equivalent to 200% of basic salary over a period of five years from the later of approval of the 2020 Policy and the date of appointment. The other Executive Directors are required to build and maintain a minimum shareholding equivalent to 150% of basic salary over a period of five years from the later of approval of the 2020 Policy and the date of appointment. All Executive Directors are expected to retain all vested long term incentive awards (subject to any sales necessary to meet tax liability on vesting or exercise) and shares purchased from annual bonus under the Policy, until the guideline is met. A post-employment shareholding policy applies as follows, with the Committee retaining the discretion to amend the Policy in exceptional circumstances: <ul style="list-style-type: none"> Directors to hold the lower of shares with a value equivalent to 150% of salary (200% for the Group CEO) and actual shares held on cessation for two years.³ The two year holding period for annual bonus shares continues post-employment. The two year post-vesting holding period for LTIP awards continues post-employment. 	<ul style="list-style-type: none"> Minimum of 200% of basic salary for Group CEO and 150% of basic salary for the other Executive Directors – no maximum. 	None.

Directors' Remuneration Report including Remuneration Committee Report

Element of remuneration arrangements	Policy	Operation	Maximum	Performance metrics and period
Benefits	<ul style="list-style-type: none"> • Provides insured benefits to support the Executive Directors and their families during periods of ill health, or in the event of accident or death. • Car allowance facilitates travel 	<ul style="list-style-type: none"> • Includes car allowance, life assurance and private medical insurance. Other benefits may be provided where appropriate. • Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit. 	<ul style="list-style-type: none"> • At cost. 	None.
Pension	<ul style="list-style-type: none"> • Provides modest retirement benefits. • Opportunity for Executive Directors to contribute to their own retirement plan. 	<ul style="list-style-type: none"> • Defined contribution. • HMRC approved arrangement. 	<ul style="list-style-type: none"> • Directors receive employer pension contributions in line with the contribution for the majority of the workforce at the time of appointment. • Existing Directors are offered a pension in accordance with auto enrolment minimums. 	None.
Chair and Non Executive Directors	<ul style="list-style-type: none"> • To provide fees reflecting the time commitments and responsibilities of each role, in line with those provided by similarly sized companies. 	<ul style="list-style-type: none"> • Cash fee paid monthly. • Fees are normally reviewed annually. • Any reasonable business related expenses can be reimbursed (including tax thereon if determined to be a taxable benefit). 	<ul style="list-style-type: none"> • There is no prescribed maximum annual fee increase, although there is a total fee cap of £750,000, which is contained in LSL's articles of association. • Fees are determined and reviewed taking into account experience, time commitment, responsibility and scope of role, as well as the general increase for employees and market data for similar roles in other companies of a similar size and complexity. Current fees are set out in the Annual Report on Remuneration. 	None.

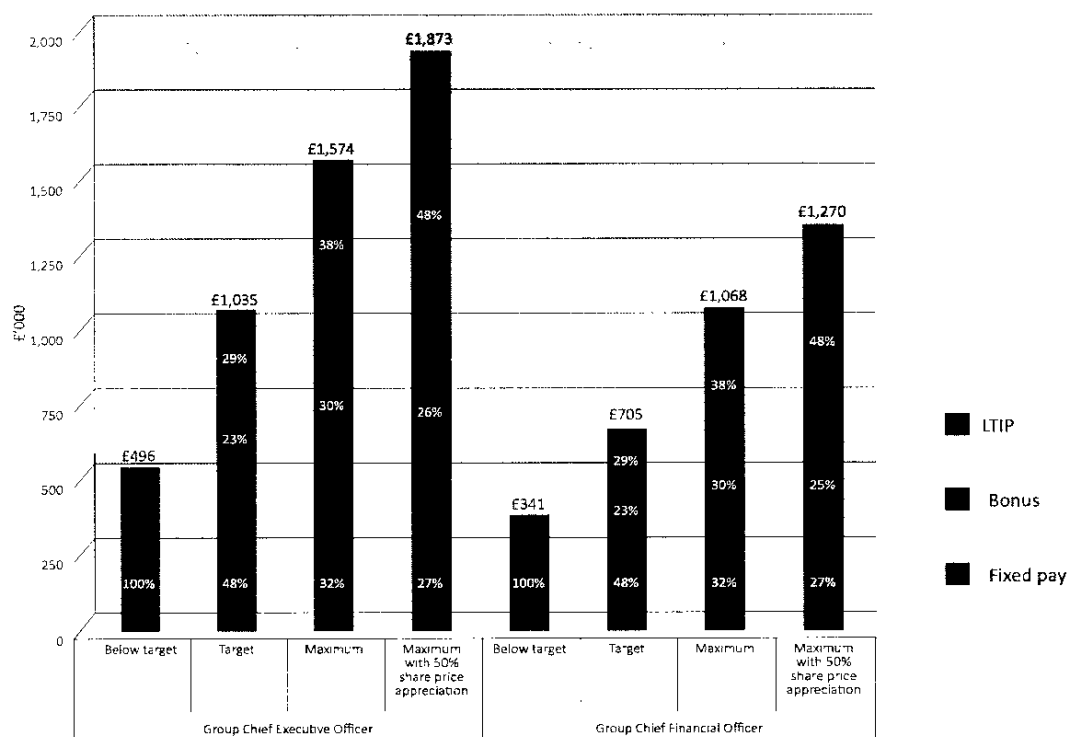
Notes to the remuneration policy:

1. Authority is given to LSL to honour any commitments entered into with current or former Executive Directors (such as the payment of last year's annual bonus or the vesting/exercise of share awards granted in the past) that have been disclosed in this and previous Directors' Remuneration Reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.
2. Performance metrics for incentives, weightings and targets are considered annually for the year ahead. The Committee considers whether changes are required to the application of the Policy for the year ahead taking into account strategy and market practice. Targets for the annual bonus and LTIP are also reviewed and consideration is given as to whether these remain appropriate or need to be recalibrated. The specific performance targets seek to be stretching to incentivise and reward improved performance.
3. The post-employment shareholding policy which requires the Executive Directors to retain a shareholding post-employment will apply to shares acquired from LTIP awards granted from 2019 onwards (ie those that vest from 2022 onwards) and bonus awards invested in shares in respect of performance in 2022 onwards (ie any bonus award payable from 2023 onwards).

Reward scenarios (illustration of application of the Policy for 2023)

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

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



Notes to the reward scenarios:

- The 'below target' performance scenario comprises the fixed elements of remuneration only, including:
 - basic salary as applicable from 1 January 2023;
 - pension as per the Policy; and
 - benefits as reported for the previous financial year.
- The target level of bonus is assumed to be 50% of the maximum bonus opportunity (100% of basic salary), and the on-target level of LTIP vesting is assumed to be 50% of the face value, assuming a normal grant level (125% of basic salary). These values are included in addition to the components of fixed remuneration.
- The maximum remuneration assumes full bonus pay-out (100% of basic salary) and the full face value of the LTIP (125% of basic salary), in addition to fixed components of remuneration.
- No share price growth has been factored into the calculations in the below target, target and maximum calculations.
- 50% share price growth over the three year performance period of the LTIP award has been used for the 'maximum with 50% share price appreciation' scenario.
- The assumptions noted for on-target performance in the graph above are provided for illustration purposes only.
- Helen Buck, Executive Director – Estate Agency retired from the business on 31 March 2023 and has been included in the scenario graphs for her period of employment in 2023. As Helen is not be eligible to participate in the 2023 bonus or LTIP scheme her annual basic salary and benefits have been shown only, which has been pro-rated accordingly.

Approach to recruitment and promotions

The remuneration package on appointment for a new Executive Director is set in accordance with the Policy at the time and will take into account the individual's skills and experience of the individual, the market rate for such a candidate and the importance of securing that individual.

Directors' Remuneration Report including Remuneration Committee Report

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

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

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

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

Service contracts for Executive Directors

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

Director	Commencement of service contract	Notice period (from Executive Director and LSL)
David Stewart Group Chief Executive Officer	1 May 2020	Nine months
Adam Castleton Group Chief Financial Officer	2 November 2015	Nine months

Copies of Director Service Agreements are available for inspection at the Company Secretary's office (see Shareholder Information at page 183 for details).

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

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

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

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

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

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

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

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

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

Non Executive Directors

Our policy is to appoint Non Executive Directors with a breadth of qualifications, skills and experience relevant to the Group's businesses and strategy. The Board makes appointments based on the Nominations Committee recommendation. For further details on the Nominations Committee's roles and responsibilities, and how it discharges its duties, see the Corporate Governance Report (page 54).

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

Director	Date original term commenced	Date current term commenced	Expiry date of current term
Gaby Appleton Independent Non Executive Director and Senior Independent Director	1 September 2019	1 September 2022	31 August 2025
David Barral¹ Non Executive Chair Designate	3 April 2023	-	2 April 2026
Simon Embley Non Executive Director	1 January 2015	1 January 2021	31 December 2023
Darrell Evans Independent Non Executive Director and Chair of the Remuneration Committee	28 February 2019	28 February 2022	27 February 2025
James Mack Independent Non Executive Director and Chair of the Audit & Risk Committee	27 September 2021	-	26 September 2024
Bill Shannon² Non Executive Chair and Chair of the Nominations Committee	7 January 2014	7 January 2023	31 December 2023
Sonya Ghobrial Independent Non Executive Director	4 March 2022	-	3 March 2025

Notes:

1. David Barral will stand for election at the 2023 AGM and if elected, will take over the role of Chair of the Board and Nominations Committee from the close of the AGM, following Bill Shannon's retirement.
2. Bill completed nine years on the Board in January 2023 and his term was extended to end of December 2023. Bill intends to retire at the close of the 2023 AGM, for further details please see the Corporate Governance Report section of this Report.

Copies of Director Service Agreements are available for inspection at the Company Secretary's office (see Shareholder Information at page 183 for details).

Directors' Remuneration Report including Remuneration Committee Report

Annual Report on Remuneration

Implementation of the Policy for the year ending 31 December 2023

This section of the Directors' Remuneration Report sets out how the Policy will be implemented for 2023.

Basic salary

2023 basic salary increases for the Executive Directors are 3%, rounded to the nearest £250. This increase is in line with the average pay award for senior management roles and less than the average for middle management roles and more junior roles within our Group, who will receive more substantial increases. Helen Buck did not receive a salary increase for 2023 as she retired in March 2023. The basic salary levels at 1 January 2023 for the Executive Directors are set out below:

Director	Role	2023 (£)	% increase from 1 January 2023	2022 (£)
Helen Buck	Executive Director – Estate Agency	320,000	Nil	320,000
Adam Castleton	Group Chief Financial Officer	323,250	3%	313,750
David Stewart	Group Chief Executive Officer	478,750		464,750

Annual bonus for 2023

We will operate an annual bonus plan for Executive Directors during 2023 that is broadly similar to that operated in 2022, as detailed in the table below. The Group CEO and Group CFO's bonus opportunity will be 100% of salary.

Performance measure	Weighting (% of maximum)
Group Underlying Operating Profit	70%
Non-financial measures	30%

The Group Underlying Operating Profit measure requires performance to be significantly better than budget for the full pay-out of this element of the bonus.

The non-financial measures for the 2023 bonus scheme include objectives based on each Executive Directors' delivery of key strategic initiatives for the Group and our Divisions. Whilst we don't disclose the 2023 measures in this Report because we consider the measures to be commercially sensitive, we will ensure full disclosure of these measures are included in the Directors' Remuneration Report to be included in the Annual Report and Accounts 2023.

In relation to the 2023 measures, the Committee is satisfied that the objectives are challenging and demanding, reflecting the Group's ongoing business expectations and have a clear link to our strategy. These non-financial measures also include specific objectives relating to ESG which position the business as an employer and organisation which places genuine value on sustainability and ethics as well as profit. We are doing this by focusing on delivering corporate sustainability targets including emission targets, and improving gender and other diversity disparities. The Committee has also reviewed these non-financial measures carefully to ensure alignment with our purpose, culture and values.

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

Long Term Incentive Plan (LTIP) 2023 awards

We will operate an LTIP for Executive Directors during 2023 that is broadly similar to that operated in 2022, as detailed in the table below. The Committee intends to grant an award of 125% of basic salary to each of the Executive Directors, in line with the Policy. Helen Buck will not receive an LTIP award for 2023 due to her retirement on 31 March 2023.

Performance measure	Percentage of award subject to condition	Performance period	Threshold performance level (25% vesting)	Maximum performance level (100% vesting)
Adjusted basic EPS growth	50%	3 years ending 31 December 2025	25.4 pence	33.0 pence
TSR (relative to FTSE Small Cap, excluding investment trusts)	50%		Median (50 th percentile)	Upper quartile (75 th percentile)

The TSR and adjusted EPS performance conditions were selected on the basis that they reward the delivery of long term returns to our shareholders and the Group's financial growth, and they are consistent with our objective of delivering superior levels of long term value to our shareholders.

As set out in the Chair's Annual Statement (page 06), an additional LTIP award of up to 75% of salary may be granted in 2023 if substantial strategic projects are delivered during the year. Prior to any additional award being granted the Committee will consult with our largest shareholders, to outline fully the rationale for making the award and detail the performance conditions and targets applying to the proposed award.

Benefits

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

Pension

All Executive Directors are paid an employer pension contribution in line with or below that received by the majority of our wider workforce.

- Adam chooses to participate in our auto enrolment pension scheme and receives 3% of banded earnings as a pension contribution from the Company.
- Helen elected not to join the pension scheme and received no additional compensation in lieu of this.
- David receives 3% of banded earnings in lieu of any employer pension contributions.

Non Executive Directors

In 2023, fees for the Non Executive Directors were increased by 3%, rounded to the nearest £250, in line with Executive Directors and below the average pay review awarded to our wider workforce. The 3% increase was applied to the Chair of the Board and each of the Non Executive Director fees (including the fees linked to additional responsibilities).

Role	2023 (£)	2022 (£)
Chair of the Board	155,000	150,500
Independent Non Executive Director	50,500	49,000
Senior Independent Director	8,500	8,250
Chair of the Remuneration Committee	9,000	8,750
Chair of the Audit & Risk Committee	9,000	8,750
Designated Non Executive Director for workforce engagement	2,000	2,000

Directors' Remuneration Report including Remuneration Committee Report

Directors' remuneration payable in 2022 – audited information

Directors' remuneration

The remuneration of the Directors for 2022 was as follows:

	Notes	Year	Basic salary or fees £	Benefits ⁶ £	Pension contributions ⁷ £	Sub total – fixed pay £	Annual bonus ⁸ £	Share awards ⁹ £	Other ¹⁰ £	Sub total – variable pay ¹¹ £	Grand total £
Chair											
Bill Shannon	1	2022	150,500	–	–	150,500	–	–	–	–	150,500
		2021	123,919	–	–	123,919	–	–	–	–	123,919
Executive Directors											
Helen Buck	2	2022	320,000	16,139	–	336,139	0	108,403	1,361	109,765	445,904
		2021	313,750	16,030	–	329,780	259,158	524,229	510	783,897	1,113,677
Adam Castleton		2022	313,750	16,424	1,321	331,495	0	131,957	1,474	133,431	464,926
		2021	307,500	16,288	1,319	325,107	259,530	514,054	551	774,135	1,099,242
David Stewart		2022	464,750	16,424	1,149	482,322	0	195,540	932	196,472	678,794
		2021	455,750	16,288	1,149	473,187	386,020	0	212	386,232	859,418
Non Executive Directors											
Gaby Appleton		2022	57,250	–	–	57,250	–	–	–	–	57,250
		2021	50,375	–	–	50,375	–	–	–	–	50,375
Simon Embley		2022	49,000	–	–	49,000	–	–	–	–	49,000
	3	2021	77,169	–	–	77,169	–	–	–	–	77,169
Darrell Evans		2022	59,750	–	–	59,750	–	–	–	–	59,750
		2021	53,675	–	–	53,675	–	–	–	–	53,675
Sonya Ghobrial	4	2022	40,509	–	–	40,509	–	–	–	–	40,509
		2021	–	–	–	–	–	–	–	–	–
James Mack		2022	57,750	–	–	57,750	–	–	–	–	57,750
	5	2021	14,744	–	–	14,744	–	–	–	–	14,744
Total		2022	1,513,259	48,987	2,469	1,564,715	0	435,900	3,767	439,667	2,004,382
		2021	1,396,882	48,606	2,468	1,447,956	904,708	1,038,283	1,273	1,944,264	3,392,219

Notes to Directors' remuneration table:

1. Bill Shannon was appointed to the role of Chair of the Board on 28 April 2021 having previously held the position of Deputy Chair and Senior Independent Director. Bill's remuneration for his time as independent Non Executive Director is included in the 2021 figures provided in the Chair section of the table.
2. Helen has been granted good leaver status on her retirement therefore her LTIP value for 2022 is a pro-rata amount to 31 March 2023.
3. Simon Embley stood down as Chair of the Board on 28 April 2021 and he remained as a Non Executive Director from that date. Remuneration for his time as Chair of the Board is included in the 2021 figures provided in the Non Executive Director's section of the table.
4. Sonya Ghobrial was appointed to the Board as an independent Non Executive Director on 4 March 2022.
5. James Mack was appointed to the Board as an independent Non Executive Director and Chair of the Audit & Risk Committee on 27 September 2021.
6. Benefits comprise private medical cover and company car or car allowance.
7. David Stewart receives 3% of banded earnings in lieu of pension. Adam Castleton is part of the auto enrolment pension scheme and receives 3% of banded earnings as an employer contribution.
8. Our performance in 2022 resulted in no bonuses being paid to Executive Directors.
9. The share awards information includes a forecast level of vesting for the 2020 LTIP awards. The LTIP awards were granted later than usual in 2020 and will therefore not vest until 9 November 2023. The performance period for the EPS element ended on 31 December 2022 and was assessed accordingly. The performance period for the TSR element is the three years to 8 November 2023, and a final assessment of this element will be made at that time. Therefore, the calculations above are based on the actual EPS performance, and forecast TRS performance up until 31 December 2022. The value of these awards is based on our closing share price over the last three months of the financial year to 31 December 2022 (243.1 pence). £14,543, £17,696 and £26,222 of this amount is attributable to share price appreciation for Helen Buck, Adam Castleton and David Stewart respectively. As these awards have yet to vest the final award value will differ from those stated above and will be restated in the 2023 Directors' Remuneration Report to reflect the final vesting percentage and actual share price at vesting. The 2019 LTIP value has been restated based on our closing share price at the time of vesting (378 pence). £170,583 and £167,271 of this amount is attributable to share price appreciation for Helen and Adam respectively.

10. A correction has been made to include an 'other' column which includes the value of matching shares, dividend shares and a free share award received through the SIP for 2021.
11. A correction has been made to the Sub total – variable pay section for 2021 to correct a casting error made in the Annual Report and Accounts 2021.

Annual bonus payments 2022 – audited information

The maximum bonus achievable by the Executive Directors was 100% of salary, 70% of which was determined by achievement of financial measures and 30% by achievement of non-financial measures.

Financial measures

The table below summarises the financial bonus targets which were set at the beginning of the year, and performance for 2022:

Financial performance measures	Group Underlying Operating Profit				Estate Agency Underlying Operating Profit				Bonus payable in relation to financial measures, as % of basic salary
	Weighting	Threshold ¹	Maximum	Achievement	Weighting	Threshold	Maximum	Achievement	
Director									
Helen Buck	35%	£47.0m	£53.144m		35%	£11.815m	£15.290m	£9.2m	70%
Adam Castleton	70%	£47.0m	£53.144m	£36.9m					70%
David Stewart	70%	£47.0m	£53.144m		Specific to Helen only				70%

Note to financial measures table:

1. The level of payment for threshold performance is 18% of salary for each of the Executive Directors.

The 2022 Group and Estate Agency Underlying Operating Profit bonus range (threshold and maximum figures detailed in the table above) which were set at the start of 2022, were significantly higher than previous years and reflective of the housing market at the time. As the financial results fell well short of the targets set, the Executive Directors have not been awarded any bonus in respect of the financial performance element of bonus.

Non-financial measures/strategic goals

Detailed below is a summary of the non-financial measures which were in place for Executive Directors in respect of their 2022 annual bonus and the outcome.

The Committee noted that for the individual non-financial measures there was a more positive performance with a number of objectives being delivered. After due consideration and noting the very decisive shortfall in the financial performance and notwithstanding the exceptional performance in the circumstances, it was agreed by the Committee to exercise discretion and not award any bonus for this element either.

Directors' Remuneration Report including Remuneration Committee Report

Helen Buck – Executive non-financial measures Objective and factors used to determine overall outcome			Outcome
A. Estate Agency Operating Model	25%	Partial Achievement	
Key strategic projects delivered or in place to help to further simplify the Group structure to allow us to focus on maximising our core opportunities.			
B. Unlock Marsh & Parsons Potential	25%	Achieved	
Robust analysis on alternative options for Marsh & Parsons, including sale of the business.			
C. Estate Agency Cost Base to Support Performance	25%	Partial Achievement	
Robust understanding of the costs in Estate Agency, identification of opportunities and associated risks, robust controls in place and Board confidence that costs are being managed appropriately.			
D. Cross Business Opportunities	15%	Partial Achievement	
Identification of how Estate Agency can support cross business opportunities and ensure Inclusion and Diversity Forum delivers value across the Group.			
E. Risk Management	10%	Partial Achievement	
Effective process to identify and manage Estate Agency risks.			
Adam Castleton – Executive non-financial measures Objective and factors used to determine overall outcome		Weighting	Outcome
A. Shareholder Value, Stakeholder Perception and New Investors	20%	Not Achieved	
Measured through share price performance relative to peers, new investor percentage and proxy agency feedback.			
B. Strategic Execution	30%	Achieved	
Execution of strategic objectives across LSL's three business segments and progress against long term CAGR profit growth target.			
C. Financial Execution/Deployment of Resources	20%	Partial Achievement	
Savings delivered in 2022 through strategic cost projects, feedback from Board on quality and transparency of cost reporting and robust processes to strategically manage costs with redeployment of resources to faster growing areas or new opportunities.			
D. Risk Management	20%	Partial Achievement	
Implementation of an effective process to identify and manage Group risks.			
E. ESG	10%	Achieved	
Measured through colleague opinion surveys, gender and ethnic diversity at all levels in the Group, meeting corporate sustainability targets defined by the Board and colleague participation in community initiatives.			

David Stewart – Executive non-financial measures Objective and factors used to determine overall outcome	Weighting	Outcome
A. Shareholder Value, Stakeholder Perception and New Investors Measured through share price performance relative to peers, new investor percentage and proxy agency feedback.	20%	Not Achieved
B. Execution of Estate Agency Strategy Key strategic projects delivered or in place to help to further simplify the Group structure to allow us to focus on maximising our core opportunities, including the sale of Marsh & Parsons.	25%	Achieved
C. Execution of Financial Services Strategy Delivery of the Financial Services growth strategy and simplification of the Group to focus on the development of its leading Financial Services Network business. Includes the sales of new build mortgage and protection brokerage firms to Pivotal Growth.	25%	Achieved
D. Risk Management No material risk incidents from external bodies and measurement of risk through feedback from Board, Audit & Risk Committee Chair and results of Internal Audit reports.	10%	Partial Achievement (no major incidents, however further progress required to improve Divisional approach to risk)
E. Organisational Design Quality of key strategic resource brought into business, level of Senior Management attrition and development of robust succession plans.	10%	Partial Achievement
F. ESG Measured through colleague opinion survey, gender and ethnic diversity at all levels in the Group, meeting corporate sustainability targets defined by the Board and colleague participation in community initiatives.	10%	Achieved

As the Committee exercised discretion to reduce the outcome under the non-financial measures to nil, there is no bonus payable to Executive Directors for 2022.

Directors' Remuneration Report including Remuneration Committee Report

LTIP award vesting

The LTIP awards granted in 2020 will vest in November 2023. The performance period for the EPS element is the three financial years to 31 December 2022 and the performance period for the TSR element is the three years to 8 November 2023. As the performance period for the TSR element of the award has not yet been completed the final outcome for the 2020 award cannot be determined. The Committee has however provided a forecast outcome for TSR based on performance to 31 December 2022 and the final outcome under the EPS element. Based on these outcomes, the level of forecast vesting for this award is currently 36.3% of maximum. Details of the performance measures, targets and performance from which this vesting level is calculated are set out in the table below.

Performance measure	Percentage of award subject to condition	Performance period	Threshold performance level (25% vesting)	Maximum performance level (100% vesting)	Actual performance	Percentage vesting (forecast)
Adjusted basic EPS growth	50%	3 years ending 31 December 2022	25.6 pence	35.1 pence or more	28.4 pence	47.2%
TSR (performance against peers) ²	50%	3 years ending 8 November 2023	Median (50 th percentile)	Upper quartile (75 th percentile)	50 th percentile ¹	25.3%
					Total	36.3%

Notes:

1. Forecast performance based on performance to 31 December 2022 using a three month average.
2. TSR performance is measured against the companies constituting the FTSE Small Cap Index (excluding investment trusts and LSL) at the start of the TSR performance period.

Details of the LTIP awards granted in 2020 and the expected value of the forecast vesting are shown in the table below.

Executive Director	Date of grant	Date of vesting	Number of shares under award	Forecast vesting %	Forecast number of shares vesting	Forecast total vesting £ ²
Helen Buck ¹	9 November 2020	8 November 2023	122,980	36.3	44,592	108,403
Adam Castleton	9 November 2020	8 November 2023	149,700	36.3	54,281	131,957
David Stewart	9 November 2020	8 November 2023	221,833	36.3	80,436	195,540

Notes to 2020 LTIP awards:

1. Helen Buck has been awarded good leaver status on her outstanding share awards, the number of shares awarded has therefore been pro-rated to reflect her time worked in the three year vesting period based on a cessation date of 31 March 2023.
2. The expected value of vesting has been calculated using LSL's average share price over the three months to 31 December 2022 (243.1 pence).

Share awards granted during 2022

Details of LTIP (nil cost option) awards granted in 2022 are as follows:

Executive Director	Date of grant	Date of vesting	Share price at grant date	Number of shares under award	Face value of award as % of salary	Face value of award £ at grant date
Helen Buck	29 March 2022	29 March 2025	369 pence	108,401	125	400,000
Adam Castleton	29 March 2022	29 March 2025	369 pence	106,283	125	392,188
David Stewart	29 March 2022	29 March 2025	369 pence	157,435	125	580,938

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

The performance measures associated with the 2022 LTIP grant are as follows:

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

External appointments

None of the Executive Directors hold non executive directorships of any other companies, other than to represent the Group's investment interests in other companies.

Payments to past Directors

No payments have been made to past Directors.

Payments for loss of office

In June 2022 Helen Buck announced her plans to retire. Helen Buck remained an employee until the end of her notice period on 31 March 2023 and was in receipt of basic salary, car allowance and benefits until this date. Helen was granted good leaver status and therefore her 2021 and 2022 LTIP awards will vest at the normal time subject to performance and with pro-rating to take account of her retirement date. She is not eligible for an annual bonus in respect of 2023.

Directors' Remuneration Report including Remuneration Committee Report

Outstanding share awards

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

Director	Award type	Date of grant	Share price on grant	Exercise price	As at 1 January 2022	Awards granted during year	Awards lapsed during year	Awards exercised during year	As at 31 December 2022	Exercise period
Helen Buck Executive Director – Estate Agency	LTIP	29 March 2019	255.00p	Nil	151,470	–	12,785	138,685	0	29 March 2022 to 29 March 2029
	SAYE	1 June 2019	227.00p	265.00p	2,037	–	–	2,037	0	1 June 2022 to 30 November 2022
	LTIP	9 November 2020	210.50p	Nil	152,665	–	–	–	152,665	9 November 2023 to 9 November 2030
	LTIP	5 May 2021	408.50p	Nil	96,006	–	–	–	96,006	5 May 2024 to 5 May 2031
	SAYE	28 May 2021	468.00p	327.00p	2,388	–	–	–	2,388	1 July 2024 to 31 December 2024
Adam Castleton Group Chief Financial Officer	LTIP	29 March 2022	369.00p	Nil	0	108,401	–	–	108,401	29 March 2025 to 28 March 2032
	LTIP	29 March 2018	219.50p	Nil	15,349	–	–	15,349	0	29 March 2021 to 29 March 2028
	LTIP	29 March 2019	255.00p	Nil	148,529	–	12,536	135,993	0	29 March 2022 to 29 March 2029
	LTIP	9 November 2020	210.50p	Nil	149,700	–	–	–	149,700	9 November 2023 to 9 November 2030
	LTIP	5 May 2021	408.50p	Nil	94,094	–	–	–	94,094	5 May 2024 to 5 May 2031
	SAYE	28 May 2021	468.00p	327.00p	3,302	–	–	–	3,302	1 July 2024 to 31 December 2024
Simon Embley Non Executive Director David Stewart Group Chief Executive Officer	LTIP	29 March 2022	369.00p	Nil	0	106,283	–	–	106,283	29 March 2025 to 28 March 2032
	LTIP	2 April 2012	275.00p	Nil	58,333	–	–	58,333	0	2 April 2015 to 2 April 2022
	LTIP	9 November 2020	210.5p	Nil	221,833	–	–	–	221,833	9 November 2023 to 9 November 2030
	LTIP	5 May 2021	408.50p	Nil	139,458	–	–	–	139,458	5 May 2024 to 5 May 2031
	SAYE	28 May 2021	468.00p	327.00p	3,302	–	–	–	3,302	1 July 2024 to 31 December 2024
	LTIP	29 March 2022	369.00p	Nil	0	157,435	–	–	157,435	29 March 2025 to 28 March 2032

Notes to outstanding share awards:

- All of the above are scheme interests. Details of LTIP awards granted in 2022 are presented in a separate paragraph, while details of previous outstanding awards are presented in the previous year's Directors' Remuneration Report and are included in note 14 to the Financial Statements.
- The aggregate gains made by Helen Buck, Adam Castleton and Simon Embley on the exercise of awards during the year was £475,871, £506,996 and £243,249 respectively. The LTIP awards exercised by Helen Buck and Adam Castleton are subject to a two year holding period and have therefore been held and are included in their shareholding as detailed in the Directors' Interests in Shares table below
- The share mid-market price ranged from 194.5 pence to 429.5 pence and averaged 330.0 pence during 2022. The share price on 30 December 2022 was 252.5 pence, compared to 429.5 pence on 4 January 2022.
- Simon Embley's LTIP award has been pro-rated to reflect his change of role from Group CEO to Non Executive Chair on 1 January 2015.
- The LTIP awards granted to the Executive Directors in 2018, 2019, 2020, 2021 and 2022 are subject to the two year post-vesting holding period. This will continue to apply post-cessation of employment.

Directors' interests in shares

The interests of the Directors who served on the Board during the year, including their connected persons, are set out in the table below:

Director	Shareholdings (number of shares)		Share awards (number of shares)		Total (number of shares for shareholding)	Shareholding guideline ¹	Executive Director shareholding ²
	31 December 2022	31 December 2021	Unvested (and subject to performance conditions)	Vested but unexercised number of shares	31 December 2022	(% of basic salary)	(% of basic salary)
Gaby Appleton							
Non Executive Director	–	–	–	–	–	–	N/A
Helen Buck							
Executive Director – Estate Agency	104,213	21,121	359,460	–	104,213	150%	82.2%
Adam Castleton							
Group Chief Financial Officer	94,086	6,468	353,379	–	94,086	150%	75.7%
Simon Embley							
Non Executive Director	6,835,624	6,777,291	–	–	6,835,624	–	N/A
Darrell Evans							
Non Executive Director	–	–	–	–	–	–	N/A
James Mack							
Non Executive Director	–	–	–	–	–	–	N/A
Sonya Ghobrial							
Non Executive Director	0	N/A	–	–	–	–	–
Bill Shannon							
Chair of the Board	25,329	25,329	–	–	25,329	–	N/A
David Stewart							
Group Chief Executive Officer	25,714	280	522,028	–	25,714	200%	14.0%

Notes to Directors' interest in shares:

- We recognise that due to the minimal vesting of LTIP awards in recent years, there have been limited opportunities for Executive Directors to accumulate shares. The Executive Directors' shareholdings are expected to increase during 2023 following the vesting of the 2020 LTIP. We are keen to increase share ownership amongst the Executive Directors and the Policy supports this through the requirement to purchase shares with a proportion of bonus and through the retention of all vested LTIP awards. In addition, David Stewart has also made a voluntary purchase of shares during 2022 to increase his shareholding and this is included in the table above.
- The shareholdings are calculated based on shares owned and vested but unexercised awards, net of tax, as at 31 December 2022. Shareholding guideline calculations are based on the share price at 30 December 2022 of 252.5 pence and the Executive Director's basic salary at 31 December 2022. The unvested share awards have not been pro-rated for Helen Buck to reflect her shareholding position as at 31 December 2022.

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

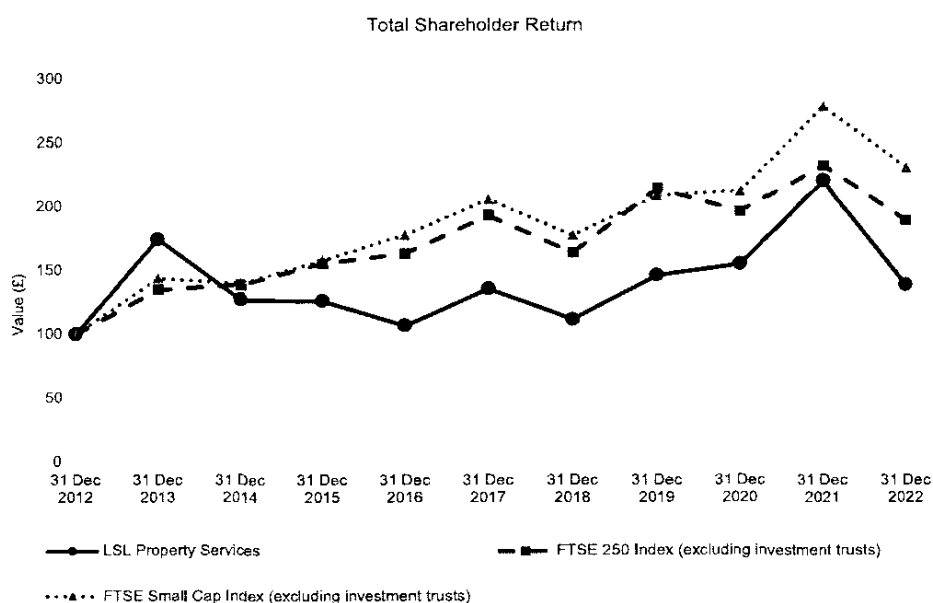
There have been no changes in the interests of any Director between 31 December 2022 and the date of this Report, other than the purchases of shares by Adam (274 shares) and David (272 shares) as participants of LSL's SIP/BAYE scheme (in January, February, March and April 2023). These shares were purchased by the Trust at the prevailing market rate. Helen also purchased 204 shares as a participant of LSL's SIP/BAYE scheme prior to retiring from the Board on 31 March 2023.

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

Directors' Remuneration Report including Remuneration Committee Report

Performance graph and table

The following graph shows the value, up to 31 December 2022, of £100 invested in LSL compared with the value of £100 invested in both the FTSE Small Cap (excluding investment trusts) Index and the FTSE 250 (excluding investment trusts) Index on 31 December 2012. The FTSE 250 Index has been chosen for consistency with prior years and the FTSE Small Cap Index because LSL is a constituent of the FTSE Small Cap Index.



Group CEO's total remuneration

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

	Simon Embley (to 9 September 2013)	Ian Crabb (from 9 September 2013 to 1 May 2020)								David Stewart (from 1 May 2020)		
	2013	2013	2014	2015	2016	2017	2018	2019	2020	2020	2021	2022
Total remuneration	£500,862 ¹	£119,522 ¹	£571,500	£852,869	£499,000	£835,120	£774,629	£760,679	£161,214 ²	£310,932	£859,418	£678,794
Annual bonus	91.70%	N/A	54%	93.30%	16%	97%	79.80%	61.70%	0%	0%	84.70%	0%
LTIP vesting	0%	N/A	N/A	66.81%	0%	0%	0%	0%	N/A	N/A	N/A	36.3%

Notes to Group CEO's total remuneration:

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

Percentage change in Directors' remuneration

In line with the requirements of the Revised Shareholders Rights Directive (2018 Regulations), the table below shows the annual percentage change in salary/fees, benefits and bonus for each of the Directors in 2022, compared to the average for our wider workforce over the last four financial years.

Director	2022 vs 2021			2021 vs 2020			2020 vs 2019		
	% change in salary/fees	% change in taxable benefits (excluding pension)	% change in bonus (includes commission)	% change in salary/fees	% change in taxable benefits (excluding pension)	% change in bonus (includes commission)	% change in salary/fees	% change in taxable benefits (excluding pension)	% change in bonus (includes commission)
Chair									
Bill Shannon ¹	21.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Executive Directors²									
Helen Buck	2.0	0.7	-100.0	1.5	-0.6	N/A	0.0	-1.2	-100.0
Adam Castleton	2.0	0.8	-100.0	1.5	-0.8	N/A	0.0	-1.7	-100.0
David Stewart	2.0	0.8	-100.0	N/A	N/A	N/A	N/A	N/A	N/A
Non Executive Director									
Gaby Appleton ³	13.6	N/A	N/A	14.5	N/A	N/A	N/A	N/A	N/A
Simon Embley ⁴	-36.5	N/A	N/A	N/A	N/A	N/A	-13.2	N/A	N/A
Darrell Evans ⁵	11.3	N/A	N/A	16.7	N/A	N/A	N/A	N/A	N/A
Sonya Ghobrial ⁶	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
James Mack ⁷	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
All employees									
Median of LSL workforce ⁸	5.0	186.2	19	1.9	-71.8	-7.0	2.1	67.8	5.2

Notes to percentage change in Directors' remuneration for the period 2022 vs 2021:

1. Bill Shannon was appointed as Non Executive Chair of the Board during 2021 and his fee was increased accordingly.
2. The Executive Directors were not awarded any bonus in 2022, as detailed in the Annual Bonus section of this Report (page 89).
3. Gaby Appleton became Senior Independent Director during 2021 and her fee was increased accordingly.
4. Simon Embley stood down as Chair of the Board in 2021 and became a Non Executive Director, his fee was decreased accordingly.
5. Darrell Evans became Chair of the Remuneration Committee during 2021 and his fee was increased accordingly.
6. Sonya Ghobrial was appointed to the Board during 2022 and therefore a change from the prior year has not been provided.
7. James Mack was appointed to the Board during 2021 and became Chair of the Audit & Risk Committee in September 2022 and therefore a change from the prior year has not been provided.
8. The median full time equivalent pay of all employees in the LSL Group and still in employment as at 31 December has been provided as an appropriate comparator. The total number of employees in this Group as at 31 December 2022 was 4,446. This excludes employees who joined the business during December but received their first pay in January 2023. Increases in average basic salaries amongst the wider workforce was higher than the Executive Directors, with those employees in lower-paid roles receiving annual pay review increases. The relatively high percentage change figure for employee benefits reflects an increase in the median from a relatively low absolute number in 2021 and an increase in employees selecting a flexible benefit as part of the reward package. The median FTE total pay of the workforce increased by 5.0% (from £32,362 to £33,995) on the prior year, as detailed in the figures in the CEO pay ratio figures below and corresponding figures in the 2021 Annual Report.
9. For notes of changes in previous years, please refer to previous Annual Report and Accounts.

Directors' Remuneration Report including Remuneration Committee Report

Group CEO to employee pay ratio

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

Financial Year	Method	25 th percentile pay ratio	Median pay ratio	75 th percentile pay ratio
2018	Option A	40.5 : 1	27.9 : 1	16.2 : 1
2019	Option A	38.1 : 1	26.1 : 1	14.9 : 1
2020	Option A	23.4 : 1	15.8 : 1	9.1 : 1
2021	Option A	40.3 : 1	26.5 : 1	15.4 : 1
2022	Option A	29.3 : 1	20.0 : 1	11.6 : 1

The 2022 employee data used to calculate the ratios is set out in the table below:

	25 th percentile	Median	75 th percentile
Total pay and benefits of employees	£23,140	£33,995	£58,486
Basic salary of employees	£19,539	£24,000	£38,000

Notes to percentage change in Group CEO to employee pay ratio:

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

The ratio above includes all UK-based employees who were employed in any part of the Group as at 31 December 2022. The employee remuneration data includes the full time equivalent data in respect of basic pay, bonus, commission, taxable benefits, share-based remuneration and pension benefits, so as to provide a comparable figure to the Group CEO single figure total remuneration.

In calculating the bonus and commission elements for employees, we have used the bonus and commission paid to employees during 2022. In some instances, employees receive bonus or commission payments in arrears. However, due to a number of these elements (for example year end annual bonuses) not being finalised at the time of writing, this Report was written with these elements not being reapportioned to the relevant financial year. In line with the legislation, we disclose this variation in methodology. However, we consider that this approach provides a broadly similar outcome to the result if 2021 year end bonuses had been included.

As at 31 December 2022, we employed over 4,400 people in a wide variety of roles. The reward policies and practices for employees follow those set for the Executive Directors, as detailed on page 86 of this Report. The Committee also has responsibility for setting the remuneration of Senior Managers and reviews and monitors the Group's wider remuneration policies and practices.

The Committee notes the decrease in the ratio from 2021 and attributes this to awarding higher base pay increases and one-off cost of living awards to colleagues in lower-paid roles and no bonus being payable to the Group CEO in respect of 2022 following the exercise of the Committee's discretion.

Relative importance of spend on pay

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

	2022 (£m)	2021 (£m)	Change (%)
Staff costs ¹	206.6	202.2	2%
Dividends (excluding any special dividend)	11.7	12.0	-1%
Profit after tax ²	-63.9	61.9	-179%
Adjusted profit after tax ²	29.2	39.1	-25%

Notes:

1. See note 14 to the Financial Statements for calculation of staff costs.
2. The percentage change in profit after tax and adjusted profit after tax has been shown as this is considered an important financial KPI used to monitor our performance. See note 11 to the Financial Statements for the calculation.

Statement of shareholder voting

The Directors' Annual Statement and Report on Remuneration for 2021 was presented to shareholders at the 2022 AGM on 27 May 2022. The Policy was presented to shareholders at the 2020 AGM on 30 June 2020. The voting outcomes were as follows:

	Annual Statement and Annual Report on Remuneration	Directors' Remuneration Policy
Votes cast in favour	99.63%	97.14%
Votes cast against	0.37%	2.86%
Total votes withheld	5,331	2,000

Remuneration Committee

Role and membership

Details of the Committee's composition and responsibilities are set out in the Corporate Governance Report on page 54 of this Report. During 2022, the Committee was chaired by Darrell and its other members were Bill Shannon, Gaby Appleton, James Mack and Sonya Ghobrial. David Barral joined the Committee on 3 April 2023 and Bill will retire from the Committee at the close of the 2023 AGM.

The Committee's terms of reference are available from the Company Secretary or from our website (Islps.co.uk).

The work of the Remuneration Committee

The Remuneration Committee met five times in 2022. One meeting was a combined Remuneration Committee and Nominations Committee meeting which met to consider Helen Buck's retirement from the Board.

Set out below is a summary of the topics discussed by the Committee during the year:

1. 2022 AGM: the Committee discussed feedback arising from the Annual Report and Accounts 2021 and shareholder voting at the 2022 AGM.
2. Executive Director Remuneration: the Committee discussed shareholder, proxy advisers and colleague feedback on Executive Director remuneration including the triennial Policy review. The Policy review included a meeting scheduled specifically to consider the Policy.
3. Approvals in respect of: 2021 bonus payments; 2022 remuneration matters (pay review, bonus, LTIP awards and NFMs (setting and during year reviews)); and 2023 remuneration matters (pay review; bonus and Executive Director NFMs).
4. Workforce remuneration including pay improvements for our lowest paid colleagues and the £500 cost of living award.
5. Annual terms of reference review and Committee evaluation.
6. LTIP TSR peer group review.
7. Benchmarking of Executive and Senior Management remuneration.
8. Remuneration treatment for members of the Senior Management Team who were retiring.

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

Directors' Remuneration Report including Remuneration Committee Report

Engagement with stakeholders

During 2022, the Committee consulted with the Employee Engagement Forum and with shareholders in relation to the Policy review, which is detailed in the Stakeholder Engagement section at page 21.

The Committee also considered shareholder feedback received in relation to our Annual Report and Accounts and this is taken into account as part of the Policy review and in the implementation of the Policy.

As set out in the Stakeholder Engagement arrangements and the Corporate Governance Report sections of this Report, we have a number of different channels for engaging with our workforce. This includes engagement by the Non Executive Director designated for workforce engagement, Darrell Evans, who also is Chair of the Committee and this provides a route for the Committee to engage with the wider workforce on remuneration matters.

Remuneration Committee advisers

The Committee received independent professional advice during the year from Korn Ferry on matters relating to Executive Director and Senior Management remuneration. No other services are provided to the Group by Korn Ferry.

Korn Ferry was selected and appointed by the Committee and provided advice to us in relation to the assessment of TSR performance for the LTIP, benchmarking of the senior roles, treatment of share awards for leavers and the disclosures required in this report. Additionally, Korn Ferry attended the September 2022 Committee meeting to provide a market update and advice in relation to the review of the Policy. Its fees for 2022, which are based on an hourly rate, were £29,391 (excluding VAT) (2021: £27,085). Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to us that it adheres in all respects to the terms of this code. We consider its advice to be independent and objective.

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

Darrell Evans

Chair of the Remuneration Committee

12 April 2023

Financial Statements

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Independent Auditor's Report

for the year ended 31 December 2022

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

Opinion

In our opinion:

- LSL Property Services plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of LSL Property Services plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise:

Group	Parent company
Group Income Statement for the year ended 31 December 2022	Parent Company Balance sheet as at 31 December 2022
Group Statement of Comprehensive Income for the year ended 31 December 2022	Parent Company Statement of Cash Flows for the year ended 31 December 2022
Group Balance Sheet as at 31 December 2022	Parent Company Statement of Changes in Equity for the year ended 31 December 2022
Group Statement of Cash Flows for the year ended 31 December 2022	Related notes 1 to 19 to the financial statements including a summary of significant accounting policies
Group Statement of Changes in Equity for the year ended 31 December 2022	
Related notes 1 to 36 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

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

Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included the following procedures:

How we evaluated management's assessment

- We evaluated management's assessment process to determine whether it was appropriate in the context of our own risk assessment on going concern.
- We verified the mathematical accuracy of management's going concern model and covenant calculations for the period to 30 April 2024;
- We assessed the appropriateness of the duration of the going concern assessment period to 30 April 2024 and considered the existence of any significant events or conditions beyond this period based on our procedures on the group's cash flow forecasts and from knowledge arising from other areas of the audit;
- We challenged the appropriateness of the key assumptions in management's forecasts including revenue growth, by comparing these to industry benchmarks and through consideration of historical forecasting accuracy;
- We obtained management's downside forecasts which included a severe reduction in performance levels similar to the 2008 financial crisis as well as material cash outflows;
- We assessed the plausibility of management's downside scenarios by corroborating the key assumptions to third party data, for example in relation to the reduction in house prices during the 2008 financial crisis, and searching for contradictory evidence in relation to the appropriateness of management's key assumptions. Further we considered whether there could be any material impact of climate change in the going concern period;
- We performed the assessment with consideration to the various disposals which have taken place since the year end, and future projects which may occur, to verify that the assessment reflected the expected structure of the group going forward;
- We performed reverse stress testing in order to identify and understand what factors would lead to the group utilising all available liquidity or breaching the financial covenants attached to the group's facility during the going concern period;
- We considered the quantum and timing of mitigating factors available to management, the extent to which these are included in management's forecasts and the extent to which these are within management's control;
- We examined the new agreement for the Revolving Credit Facility ('RCF') following the refinancing which took place in February 2023 and reviewed the nature of the facility, repayment terms, covenants and attached conditions. We assessed its continued availability to the group through the going concern period and checked the completeness of management's covenant assessment;
- We considered whether there were any indicators of other sources of finance not considered by management in the going concern assessment; and
- We reviewed the disclosures made relating to going concern included in the Annual Report & Accounts in order to assess the appropriateness of the disclosures and conformity with reporting standards.

Our key observations

- The directors' assessment forecasts that the group will maintain sufficient liquidity throughout the going concern assessment period in the base case scenario and will not breach banking covenants. Under management's severe but plausible scenario, which includes a significant reduction in performance throughout the going concern period, liquidity remains and there is no breach of covenants. We have not identified any climate-related risks that would materially impact the group's forecasts to 30 April 2024;
- Controllable mitigating actions available to management over the going concern assessment period include reductions to non-declared dividend payments;

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period from the date the financial statements are authorised for issue through to 30 April 2024.

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

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

Independent Auditor's Report continued.

for the year ended 31 December 2022

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> We performed an audit of the complete financial information of 9 components and audit procedures on specific balances for a further 6 components. The components where we performed full or specific audit procedures accounted for 96% of profit before tax excluding goodwill impairment ('adjusted profit before tax'), 95% of revenue and 98% of total assets.
Key audit matters	<ul style="list-style-type: none"> Risk of inappropriate recognition of revenue around the year end (including valuation of the lapse provision) Risk of inappropriate valuation of goodwill in relation to You Move / Reeds Rains and LSLi
Materiality	<ul style="list-style-type: none"> Overall group materiality of £1.4m which represents 5% of adjusted profit before tax.

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

Due to unforeseen circumstances it became necessary for David Wilson to take over as Senior Statutory Auditor during the execution phase of the audit, having been the engagement quality control reviewer (EQCR) until that point. The EQCR role was replaced with a suitably experienced partner. David Wilson and the new EQCR performed appropriate review of the direction and supervision of the audit to date to satisfy themselves, *inter alia*, that appropriate planning and component involvement had been performed.

Tailoring the scope

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 30 reporting components of the Group, we selected 15 components covering entities within the UK and Guernsey, which represent the principal business units within the Group.

Of the 15 components selected, we performed an audit of the complete financial information of 9 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 6 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

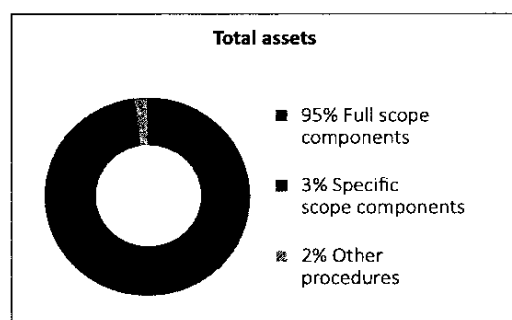
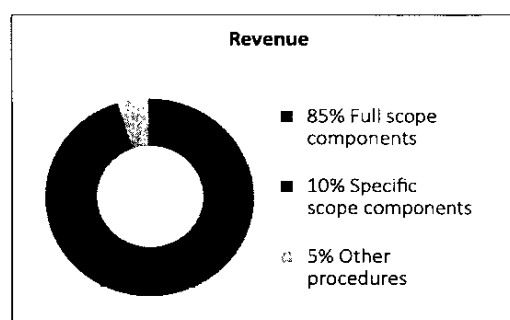
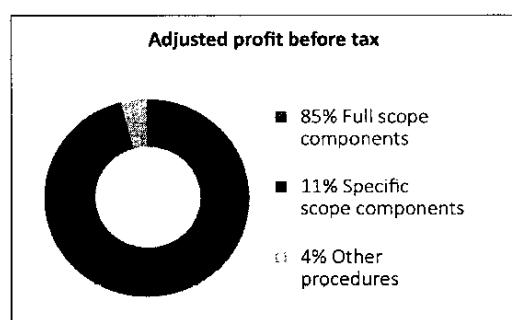
Specified procedures were performed at 2 trading components in the estate agency segment. These procedures related to trade receivables. This covered 1% of the group's total assets.

Our coverage by full, specific, specified and group procedures is illustrated below and calculated on an absolute basis. The summary is by adjusted profit before tax, revenue and total assets. Overall, our full and specific procedures accounted for 96% (2021: 98%) of the Group's adjusted profit before tax, 95% (2021: 95%) of the Group's revenue and 98% (2021: 96%) of the Group's total assets.

The audit scope of the specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 15 components that together represent 4% of the Group's adjusted profit before tax, none are individually greater than 1% of the Group's adjusted profit before tax on an absolute basis. For these components, we performed other procedures, including analytical review, review of internal audit reports, review of minutes of board meetings, testing of consolidation journals and review of entity level controls to respond to any potential risks of material misstatement to the Group financial statements.

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



Changes from the prior year

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

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 9 full scope components, audit procedures were performed on 6 of these directly by the primary audit team and 3 by the component audit team. For the 6 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The component team is also based in the UK. The primary team interacted regularly with the component teams, where appropriate, during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. At critical periods of the audit, we increased the use of online collaboration tools to facilitate team meetings, information sharing and the evaluation, review and oversight of the component team. We utilised fully the interactive capability of EY Canvas, our global audit workflow tool, to review remotely the relevant underlying work performed and retained component working papers in key risk areas on the group audit file. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact LSL Property Services plc. Given the nature of the business in a non-carbon intensive industry, management does not consider there to be a material impact from climate change. The Group has determined that the most significant future impacts from climate change on its operations will be from physical risks, such as severe weather events impacting office-based locations, as well as transition risks such as policy and regulation changes. However, with a predominantly leased property footprint, group management concludes there is little risk of significant business disruption and no significant financial impact from climate change. These are explained on pages 39 to 42 in the required Task Force for Climate related Financial Disclosures and on page 88 in the principal risks and uncertainties. They have also explained their climate commitments on pages 38 to 42. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they

Independent Auditor's Report continued.

for the year ended 31 December 2022

are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The group has explained in note 2 how they have reflected the impact of climate change in their financial statements. The group did not identify any climate risk that would materially impact the carrying values of the group's assets or have any other impact on the financial statements. The group has explained how the impact of climate change aligns with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of UK adopted international accounting standards.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and their climate commitments. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
<p>Risk of inappropriate recognition of revenue around the year end (including valuation of the lapse provision)</p> <p><i>Refer to the Audit & Risk Committee Report (page 67); Accounting policies (page 118); and Note 3 of the Group Financial Statements (page 126)</i></p> <p>The group has reported revenues of £321.7m (2021: £326.8m).</p> <p>The group has recognised a lapse provision of £5.2m (2021: £4.9m).</p> <p>The risk was one of the most significant assessed risks of material misstatement due to the potential for bias or error in the timing of transactions. There is also judgement in the value of commission income that will be clawed back.</p> <p>We identified the following specific risk of fraud and error in respect of improper revenue recognition given the nature of the group's services:</p> <ul style="list-style-type: none"> • Inappropriate cut-off of revenue at period end; and • Inappropriate measurement of the reduction to revenue recorded for expected clawback of commissions on lapsed insurance policies. <p>There is no change in risk profile in the current year.</p>	<p>At each full and specific scope audit component with material revenue streams:</p> <ul style="list-style-type: none"> • We performed walkthroughs of each significant stream of revenue and confirmed the existence of key controls around the recognition of revenue and measurement of the lapse provision; • We performed cut-off testing for the period before and after the year end with reference to underlying contracts and evidence of management's assessment of the point of revenue recognition. This included assessment of the appropriateness of the cut-off model applied by management in the Financial Services division; and • We performed transactional testing and data analysis procedures to assess the recognition of revenue around the year end. Where items did not follow the expected transaction flow, we investigated outliers and corroborated to third party evidence where appropriate. <p>For the lapse provision:</p> <ul style="list-style-type: none"> • We tested the underlying calculations for arithmetical accuracy and consistency across the group; and • We verified the appropriateness of the lapse rate applied to the lapse provision model and where relevant, tested a sample of historical lapses to third party evidence. <p>We performed full and specific scope audit procedures over this risk area in the 13 in-scope locations which have revenue. This covered 95% of the group's revenue. We also performed other procedures in the locations which covered the remaining 5% of the group's revenue. This consisted of analytical procedures over material movements in the Income Statement and Balance Sheet.</p>	<p>We have not identified any material misstatements in the revenue recognised in the year.</p> <p>Whilst the methodology and assumptions applied in calculating the lapse provision are not fully consistent across the group, this has not led to any material differences. The provision was reflective of the key terms of the contracts with customers.</p>

Independent Auditor's Report continued.
for the year ended 31 December 2022

Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
<p>Risk of inappropriate valuation of goodwill in relation to Your Move / Reeds Rains and LSLi</p> <p><i>Refer to the Audit & Risk Committee Report (page 67); Accounting policies (page 118); and Note 16 of the Group Financial Statements (page 139)</i></p> <p>The carrying value of goodwill on the Group Balance Sheet is £56.5m (2021: £160.9m). Of this amount £16.8m relates to the Your Move / Reeds Rains cash-generating unit ('CGU') and £22.5m relates to the LSLi CGU.</p> <p>The valuation of goodwill for these two cash generating units ('CGUs') was one of the most significant assessed risks of material misstatement due to the high level of estimation uncertainty inherent in the impairment review, particularly in assessing the future performance of these CGUs and the appropriate discount rate to apply in calculating the 'value in use' of the CGUs.</p> <p>As in prior year the risk has been allocated to the entities which have a lower percentage of headroom in 2022, being Your Move / Reeds Rains and LSLi.</p> <p>The risk was also allocated to Marsh & Parsons in prior year. However, following the classification of this CGU as held for sale, the estimation uncertainty in the impairment review was reduced and therefore this CGU is no longer impacted by the significant risk.</p> <p>The significant risk was newly assigned to the LSLi CGU in current year due to the low percentage headroom in relation to that CGU.</p>	<p>We challenged management's assumptions used in its assessment of the recoverability of the carrying value of goodwill. We did this by focusing on the appropriateness of the CGU identification and the methodology applied to estimate the value in use, discount rates and forecast cash flows. Specifically:</p> <ul style="list-style-type: none"> • We evaluated whether the CGUs identified are the lowest level at which management monitors goodwill consistent with the requirements of IAS 36 Impairment of assets; • We assessed the methodology applied in the value in use calculations as compared to the requirements of IAS 36 and tested the mathematical accuracy of management's model; • We assessed the appropriateness of management's forecasts in light of the historical accuracy of management's forecasts and current economic conditions; • We challenged management on the group overlay adjustments made to the Board-approved forecasts which had been used in the model; • We obtained an understanding of, and assessed the basis for, key underlying assumptions in the three-year forecasts which form the basis of the value in use calculations; • We engaged our valuation specialists to assess the appropriateness of the discount rate applied within the model, the compliance of the model with IAS 36 and the appropriateness of the long-term growth rate; • We assessed the sensitivity of key assumptions to reasonably possible changes to stress test the model and determined the appropriateness of related disclosures; • We considered whether there is any material risk from climate change to the recoverability of each CGU; and • We assessed the trigger for the impairment in the current year and whether the timing of the impairment was appropriate. 	<p>Whilst this is an area of significant estimation uncertainty, we have concluded that the carrying value of goodwill is reasonably stated.</p> <p>We concluded a disclosure is required for both CGUs as reasonably possible changes in assumptions could lead to a materially different conclusion with regards to the recoverability of goodwill. Management has made this disclosure in the Annual Report and Accounts.</p>

Our application of materiality

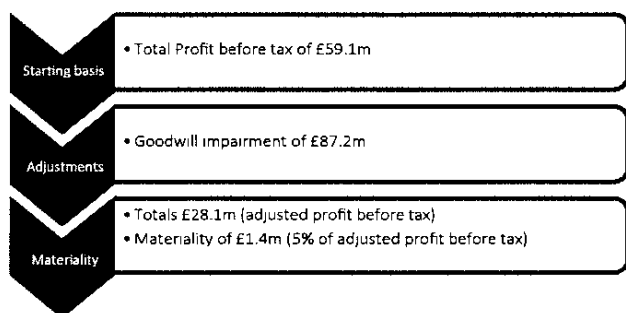
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

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

We determined materiality for the Group to be £1.4 million (2021: £2.1 million), which is 5% (2021: 5%) of adjusted profit before tax. We believe that adjusted profit before tax provides us with the most relevant performance measure to the stakeholders of the group because it excludes the distorting effect of large unusual adjustments.

We determined materiality for the Parent Company to be £1.0 million (2021: £1.5 million), which is 1% (2021: 1%) of equity.



During the course of our audit, we reassessed initial materiality with the only change in the final materiality from our original assessment at planning being to reflect the actual reported performance of the group in the year. This resulted in a materiality of £1.4m compared with our initial assessment at the planning stage of £1.7m.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our planning materiality, namely £0.7m (2021: £1.1m). We have set performance materiality at this percentage reflecting our prior year audit experience of the group.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.1m to £0.5m (2021: £0.1m to £0.7m).

Reporting threshold

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

We agreed with the Audit & Risk Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2021: £0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 177 to 183, 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.

Independent Auditor's Report continued.

for the year ended 31 December 2022

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

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

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

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 49;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 28;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 49;
- Directors' statement on fair, balanced and understandable set out on page 53;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 53;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 69; and;
- The section describing the work of the Audit & Risk committee set out on page 67.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 53, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards, Companies Act 2006, and the UK Corporate Governance Code 2018) and the relevant tax compliance regulations in the UK.
- We considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate. These include compliance with FCA regulations, the Estate Agents Act 1979, and the Data Protection Act.
- We understood how LSL Property Services plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit & Risk Committee and attendance at all meetings of the Audit & Risk Committee.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various components of the group to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk or other risk of material misstatement. These procedures included those on revenue recognition detailed above and the testing of manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the group; enquiries of legal counsel, management and internal audit; and testing as described above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2018.
- At a component level, our full and specific scope component audit team's procedures included inquiries of component management, journal entry testing and focused testing, including in respect of the key audit matter of revenue recognition.
- Where we identified potential non-compliance with laws and regulations at a group level through review of Audit & Risk Committee papers, we communicated this to relevant components who developed an appropriate audit response.

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.

Independent Auditor's Report continued.

for the year ended 31 December 2022

Other matters we are required to address

- Following the recommendation from the Audit & Risk Committee, we were appointed by the company on 27 May 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 22 years, covering the years ending 31 December 2001 to 31 December 2022. LSL Property Services plc listed on the London Stock Exchange in 2006.

- The audit opinion is consistent with the additional report to the Audit & Risk Committee.

Use of our report

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

David Wilson (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

13 April 2023

Group Income Statement

for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Continuing operations:			
Revenue	3	321,738	326,832
Employee costs	14	(206,569)	(202,269)
Depreciation on property, plant and equipment and right-of-use assets	17	(11,629)	(12,500)
Other operating costs		(67,500)	(65,410)
Other operating income	3	1,334	937
Gain on disposal of property, plant and equipment and right-of-use assets	9	8	1,061
Share of post-tax (loss)/profit from joint ventures and associates	19	(494)	668
Share-based payments	14	(1,977)	(1,916)
Amortisation of intangible assets	16	(4,112)	(4,534)
Exceptional gains	8	694	31,050
Exceptional costs	8	(88,898)	(2,045)
Contingent consideration	24	696	710
Group operating (loss)/profit	5	(56,709)	72,584
Finance income	6	80	14
Finance cost	7	(2,497)	(2,709)
Net finance costs		(2,417)	(2,695)
(Loss)/profit before tax		(59,126)	69,889
Taxation charge	15	(4,891)	(7,985)
(Loss)/profit for the year		(64,017)	61,904
Attributable to:			
Owners of the parent		(63,924)	61,941
Non-controlling interest		(93)	(37)
Earnings per share (expressed in pence per share):			
Basic	11	(62.3)	59.6
Diluted	11	(62.3)	59.2

The notes on pages 118 to 162 form part of these Financial Statements.

Group Statement of Comprehensive Income

for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
(Loss)/profit for the year		(64,017)	61,904
<i>Items not to be reclassified to profit and loss in subsequent periods:</i>			
Revaluation of financial assets not recycled through the income statement	18	(5,096)	(1,557)
Tax on revaluation		130	(132)
		(4,966)	(1,689)
Total other comprehensive loss for the year, net of tax		(4,966)	(1,689)
Total comprehensive (loss)/income for the year, net of tax		(68,983)	60,215
Attributable to:			
Owners of the parent		(68,890)	60,252
Non-controlling interest		(93)	(37)

The notes on pages 118 to 162 form part of these Financial Statements.

Group Balance Sheet

as at 31 December 2022

Company No. 05114014

	Note	2022 £'000	2021 £'000
Non-current assets			
Goodwill	16	56,530	160,865
Other intangible assets	16	15,747	29,604
Property, plant and equipment and right-of-use assets	17	15,570	37,070
Financial assets	18	1,045	5,748
Investments in joint ventures and associates	19	5,068	1,610
Contract assets	20	431	733
Total non-current assets		94,391	235,630
Current assets			
Trade and other receivables	21	26,608	33,829
Contract assets	20	348	424
Current tax assets		3,063	1,142
Cash and cash equivalents	22	36,755	48,464
		66,774	83,859
Assets held for sale	30	56,437	–
Total current assets		123,211	83,859
Total assets		217,602	319,489
Current liabilities			
Financial liabilities	24	(6,949)	(8,523)
Trade and other payables	23	(47,030)	(64,206)
Provisions for liabilities	25	(660)	(775)
		(54,639)	(73,504)
Liabilities held for sale	30	(21,930)	–
Total current liabilities		(76,569)	(73,504)
Non-current liabilities			
Financial liabilities	24	(6,277)	(22,602)
Deferred tax liability	15	(2,008)	(2,073)
Provisions for liabilities	25	(1,695)	(3,191)
Total non-current liabilities		(9,980)	(27,866)
Total liabilities		(86,549)	(101,370)
Net assets		131,053	218,119
Equity			
Share capital	27	210	210
Share premium account	28	5,629	5,629
Share-based payment reserve	28	5,331	5,263
Shares held by employee benefit trust	2, 28	(5,457)	(3,063)
Treasury shares	28	(3,983)	–
Fair value reserve	28	(20,239)	(15,273)
Retained earnings		149,134	224,832
Total equity attributable to owners of the parent		130,625	217,598
Non-controlling interest		428	521
Total equity		131,053	218,119

The notes on pages 118 to 162 form part of these Financial Statements.

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

David Stewart
Group Chief Executive Officer
12 April 2023

Adam Castleton
Group Chief Financial Officer
12 April 2023

Group Statement of Cash Flows

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
(Loss)/profit before tax		(59,126)	69,889
Adjustments for:			
Exceptional operating items		88,204	(29,005)
Contingent consideration		(696)	(710)
Depreciation of tangible assets	17	11,629	12,500
Amortisation of intangible assets	16	4,112	4,534
Share-based payments	14	1,977	1,916
Profit on disposal of property, plant and equipment and right-of-use assets	9	(8)	(1,061)
Loss/(profit) from joint ventures	19	494	(668)
Recognition of investments at fair value through the income statement	18	(678)	–
Decrease in contract assets	20	378	471
Finance income	6	(80)	(14)
Finance costs	7	2,497	2,709
Operating cash flows before movements in working capital		48,703	60,561
Movements in working capital			
Increase in trade and other receivables		(1,491)	(3,911)
Decrease in trade and other payables		(11,243)	(8,919)
Decrease in provisions		(799)	(3,213)
		(13,533)	(16,043)
Cash generated from operations		35,170	44,518
Interest paid		(2,342)	(2,554)
Income taxes paid		(6,109)	(8,528)
Exceptional costs paid		(384)	(2,045)
Net cash generated from operating activities		26,335	31,391
Cash flows used in investing activities			
Acquisitions of subsidiaries and other businesses, net of cash acquired		–	(730)
Payment of contingent consideration		(76)	(2,462)
Investment in joint venture	19	(3,952)	(2,477)
Investment in financial assets	18	–	(14)
Dividend received from joint venture	19	–	1,178
Cash received on sale of joint venture	19	–	41,349
Receipt of lease income	26	68	20
Purchase of property, plant and equipment and intangible assets	16,17	(4,907)	(6,902)
Proceeds from sale of property, plant and equipment	17	1,304	431
Net cash (expended)/generated on investing activities		(7,563)	30,393
Cash flows used in financing activities			
Repayment of loans	13	–	(13,000)
Payment of deferred consideration		–	(122)
Purchase of LSL shares by the employee benefit trust		(5,026)	–
Repurchase of treasury shares		(3,983)	–
Proceeds from exercise of share options		825	1,447
Payment of lease liabilities	13	(7,170)	(8,922)
Dividends paid	12	(11,773)	(4,166)
Net cash expended in financing activities		(27,127)	(24,763)
Net (decrease)/increase in cash and cash equivalents		(8,355)	37,021
Cash and cash equivalents at the end of the year		40,109	48,464

Closing cash and cash equivalents includes £3.4m (2021: £nil) presented in assets held for sale on the Group Balance Sheet (see note 30).

The notes on pages 118 to 162 form part of these Financial Statements.

Group Statement of Changes in Equity

for the year ended 31 December 2022

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Shares held by EBT £'000	Treasury shares £'000	Fair value reserve £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Non- controlling interest £'000	Total equity £'000
At 1 January 2022	210	5,629	5,263	(3,063)	—	(15,273)	224,832	217,598	521	218,119
Loss for the year	—	—	—	—	—	—	(63,924)	(63,924)	(93)	(64,017)
Revaluation of financial assets	—	—	—	—	—	(5,096)	—	(5,096)	—	(5,096)
Tax on revaluations	—	—	—	—	—	130	—	130	—	130
Total comprehensive loss for the year	—	—	—	—	—	(4,966)	(63,924)	(68,890)	(93)	(68,983)
Shares repurchased into treasury	—	—	—	—	(3,983)	—	—	(3,983)	—	(3,983)
Shares repurchased into EBT	—	—	—	(5,026)	—	—	—	(5,026)	—	(5,026)
Exercise of options	—	—	(1,806)	2,632	—	—	(1)	825	—	825
Dividend paid	—	—	—	—	—	—	(11,773)	(11,773)	—	(11,773)
Share-based payments	—	—	1,977	—	—	—	—	1,977	—	1,977
Tax on share-based payments	—	—	(103)	—	—	—	—	(103)	—	(103)
At 31 December 2022	210	5,629	5,331	(5,457)	(3,983)	(20,239)	149,134	130,625	428	131,053

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

The notes on pages 118 to 162 form part of these Financial Statements.

for the year ended 31 December 2021

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

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

The notes on pages 118 to 162 form part of these Financial Statements.

Notes to the Group Financial Statements

for the year ended 31 December 2022

1. Authorisation of Financial Statements and statement of compliance with UK adopted IAS

The Group Financial Statements of LSL and its subsidiaries for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 12 April 2023 and the balance sheet was signed on the Board's behalf by David Stewart, Group CEO and Adam Castleton, Group CFO. LSL is a company which is listed on the London Stock Exchange, incorporated and domiciled in England and the Group operates Financial Services, Surveying & Valuation and Estate Agency businesses.

2. Accounting policies, judgements and estimates

2.1 Basis of preparation

The accounting policies which follow set out those significant policies which apply in preparing the Financial Statements for the year ended 31 December 2022. The policies have been applied consistently to all years presented. The Group's Financial Statements are presented in pound sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

These Financial Statements have been prepared in accordance with UK adopted IAS. The Group Financial Statements have been prepared on a going concern basis under the historical cost convention and on a historical cost basis, except for certain debt and equity financial assets that have been measured at fair value.

In preparing the Financial Statements management has considered the impact of climate change, taking into account the relevant disclosures in the Strategic Report, including those made in accordance with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD). The Group has assessed climate-related risks, covering both physical risks and transition risks. In the short to medium term, the impact of climate-related risks on the Group is expected to be relatively low due to the nature of the Group's business model. Over the medium to longer term, there could be physical risks, such as severe weather, flooding events, increase in temperature and rising sea levels, as well as transition risks such as policy and regulation changes. The risk to the Group's own premises as a result of climate change is considered low, the majority of our property portfolio is leased, and we would not expect significant transition costs during the remainder of our current lease terms. The impact of climate change in the medium to long term is likely to be localised and have varying degrees of impact on the areas where we work and our revenue profile. This could have an impact on the carrying value of goodwill and investments. The potential impact of climate-related risks on the Group's impairment assessment is considered sufficiently remote at this point in time and therefore no sensitivity analysis has been performed.

2.2 Basis of consolidation

The consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31 December 2022. The financial year represents the year from 1 January 2022 to 31 December 2022.

Subsidiaries

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

Interest in joint ventures and associates

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

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

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

2.3 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Financial and Divisional Reviews section (page 13) of the Strategic Report. The financial position of the Group, its cash flows, liquidity position and policy for treasury and risk management are described in the Financial Review section of the Strategic Report (page 13). Details of the Group's borrowing facilities are set out in note 24. The Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk are set out in note 32. A description of the Group's principal risks and uncertainties and arrangements to manage these risks can be found in the Principal Risks and Uncertainties section of the Strategic Report on page 25.

2. Accounting policies, judgements and estimates (continued)

As explained in note 32, the Group meets its day to day working capital requirements through cash generated from operations, as well as utilising its revolving credit facility. The Group currently has a £60m facility (December 2021: £90m), which was amended and restated in February 2023. The facility is committed until May 2026. At 31 December 2022 the Group had available £90m of undrawn borrowing out of an available £90m (which was the facility size as at that date), in respect of which all conditions precedent had been met. The Group's forecasts, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the terms of its renewed £60m facility during the going concern period. This modelling demonstrated sufficient liquidity and sufficient headroom on the required covenants, details of which can be seen in the Principal Risks and Uncertainties section on page 25 of the Strategic Report.

The Directors have considered the future profitability of the Group, including the impact of disposals since the year end, and the Board approved cash flow forecasts for the going concern period, which is considered to be the period until 30 April 2024.

Further consideration was given to banking covenants, liquidity of investments and joint ventures and the Group's ability to refinance where necessary. The Directors also assessed the key judgements, assumptions and estimates underpinning the review. The base case is modelled after post year end business disposals and reflects ongoing challenging market conditions and the Directors' expectations of the current economic climate.

In reaching its conclusion on the going concern assessment, the Board considered the findings of the work performed to support the Group's long term viability statement. As noted in the Viability Statement, which is included in the Principal Risks and Uncertainties section of the Strategic Report (page 28), this included assessing forecasts of severe but plausible downside scenarios related to our principal risks, notably the extent to which a severe downturn in the UK housing market, close to the level seen during the financial crisis in 2008, would affect the Group's base forecasts.

The Directors (who were members of the Board at 31 December 2022) can confirm that in the base case, and the downside scenarios, the Group had adequate liquidity and covenant headroom during the going concern period.

The Directors also modelled a reverse stress test to assess the level to which market conditions would have to deteriorate before we would reach our key banking covenant ratio of 2.75x Net Debt: adjusted EBITDA (with a ratio of 3.00x allowable for two consecutive test periods once during the renewal period). This showed that, excluding any action we would take to retain cash reserves and maintain our operations, the UK housing market transaction activity would have to fall to a level 7% below the financial crisis of 2008 during the going concern period, which is equivalent to a 37% fall in comparison to 2022, which the Directors consider to be remote.

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

After making enquiries, the Directors (who were members of the Board at 31 December 2022) consider that the Group has adequate resources to continue in operational existence for the going concern period. Accordingly, they continue to adopt the going concern basis in preparing this Report.

2.4 Business combinations and goodwill

The Group accounts for all business combinations by applying the acquisition method. All acquisition related costs are expensed. On acquisition, the assets (including intangible assets), liabilities and contingent liabilities of an acquired entity are measured at their fair values. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction-by-transaction basis.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Where a put and call option is transacted over a non-controlling interest independently of a business combination, the present value of the exercise price of the put and call option is recorded as a liability with a debit to equity. Subsequent movements in the assessment of the exercise price are taken to profit and loss. If the put option lapses, the liability is derecognised with a corresponding adjustment to equity.

Goodwill arising on consolidation represents the excess of the consideration transferred over the net fair value of the Group's share of the net assets, liabilities and contingent liabilities of the acquired subsidiary, joint venture or associate and the fair value of the non-controlling interest in the acquiree. If the consideration is less than the fair value of the Group's share of the net assets, liabilities and contingent liabilities of the acquired entity (ie a bargain purchase), the difference is credited to the Group Income Statement in the period of acquisition.

Notes to the Group Financial Statements continued.

for the year ended 31 December 2022

2. Accounting policies, judgements and estimates (continued)

At the acquisition date of a subsidiary, goodwill acquired is recognised as an asset and is allocated to each of the cash generating units or groups of cash generating units expected to benefit from the business combination's synergies and to the lowest level at which management monitors the goodwill. Goodwill arising on the acquisition of joint ventures and associates is included within the carrying value of the investment. On disposal of a subsidiary, joint venture or associate, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

2.5 Revenue recognition

Revenue is recognised under IFRS 15. The standard is based on a single model that distinguishes between promises to a customer that are satisfied at a point in time and those that are satisfied over time. Revenue is recognised when control of a good or service transfers to a customer. IFRS 15 focuses on control with risk and rewards as an indicator of control.

Financial Services income

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

Rendering of services

Revenue from the exchange fees in the residential sales business is recognised by reference to the legal exchange date of the housing transaction. Revenue from the supply of surveying and valuation services is recognised upon the completion of the professional survey or valuation by the surveyor, and therefore at a point in time. Revenue from lettings, asset management and conveyancing services is recognised on completion of the service being provided, and therefore at a point in time. In the case of lettings and asset management services, revenue is recognised monthly once the Group has materially satisfied its performance obligations, such as the collection of rent. The costs incurred from obtaining a contract and payable to the customer are capitalised and held under contract assets in the Group Balance Sheet and amortised into revenue over the contract term. Interest earned on client monies associated with lettings contracts is included within lettings revenue.

Interest income

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

Rental income

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

Dividends

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

2.6 Segment reporting

An operating segment is a distinguishable segment of an entity that engages in business activities from which it may earn revenues and incur expenses and whose operating results are reviewed regularly by the Board. The Board reviews the Group's operations and financial position as Financial Services, Surveying & Valuation and Estate Agency, and therefore considers that it has three operating segments. The information presented to the Directors directly reflects the Group Underlying Operating Profit as defined in the alternate performance measures (APM) in note 5 to these Financial Statements and they review the performance of the Group by reference to the results of the operating segments against budget.

2.7 Alternative Performance Measures (APMs)

In reporting financial information, the Group presents a number of APMs that are designed to assist with the understanding of underlying Group performance. The Group believes that the presentation of APMs provides stakeholders with additional helpful information on the performance of the business, APMs are also used to help enhance comparability of information between reporting periods. The Group does not consider APMs to be a substitute for or superior to IFRS measures and the Group's APMs are defined, explained and reconciled to the nearest statutory measure in notes 5, 11 and 35.

2.8 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.

2. Accounting policies, judgements and estimates (continued)

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

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects either accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

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

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

2.9 Share-based payment transactions

The equity share option programme allows Group employees to acquire LSL shares. The fair value of the options granted is recognised as an employee expense with a corresponding increase in equity in the case of equity-settled schemes. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of employee share option plans, which are all equity-settled, is calculated at the grant date using the Black Scholes model. The resulting cost is charged to the Group Income Statement over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-market vested condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 11 to these Financial Statements).

2.10 Shares held by employee benefit trust (EBT)

The Group has an employee share scheme (ESOT) for the granting of LSL shares to Executive Directors and selected senior employees and an employee share incentive plan (Trust). Shares in LSL held by the ESOT and the Trust are treated as treasury shares and presented in the balance sheet as a deduction from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. The finance costs and administration costs relating to the ESOT and the Trust are charged to the income statement. Dividends earned on shares held in the ESOT and the Trust have been waived. The ESOT and Trust shares are ignored for the purposes of calculating the Group's earnings per share.

2.11 Treasury shares

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

Notes to the Group Financial Statements continued.

for the year ended 31 December 2022

2. Accounting policies, judgements and estimates (continued)

2.12 Exceptional items

Exceptional items are those which, are material by size and are both non-recurring and unusual in nature. These items are presented within their relevant income statement category but highlighted separately on the face of the income statement. Items that management considers fall into this category are also disclosed within a note to the Financial Statements (see note 8 to these Financial Statements).

Due to the nature and expected infrequency of these items, separate presentation helps provide a better indication of the Group's underlying business performance. This allows shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

2.13 Intangible assets

Intangible assets such as brand names, lettings contracts, customer relationships and in house software are measured at cost less accumulated amortisation and impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the profit or loss in the period in which the expenditure is incurred. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

The useful lives of intangible assets are assessed as either finite or indefinite.

Brand names are not amortised as the Directors are of the opinion that they each have an indefinite useful life based on the expectation that there is no foreseeable limit to the period over which each of the assets are expected to generate net cash inflows to the businesses. The Directors are confident that trademark registration renewals will be filed at the appropriate time and sufficient investment will be made in terms of marketing and communication to maintain the value inherent in the brands, without incurring significant cost. All brands recognised have been in existence for a number of years and are not considered to be at risk of obsolescence from technical, technological nor commercial change. Whilst operating in competitive markets they have demonstrated that they can continue to operate in the face of such competition and that there is expected to remain an underlying market demand for the services offered. The lives of these brands are not dependent on the useful lives of other assets of the entity.

All other intangible assets are amortised on a straight-line basis over their useful economic lives of 12 months for order books, two years for customer contacts, five years for lettings contracts, between three and five years for in house software and ten years for franchise agreements.

2.14 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell (FVLCTS) and value-in-use (VIU). Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing an asset's VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash generating unit's recoverable amount.

2.15 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment is depreciated on a straight-line basis to its residual value over its anticipated useful economic life:

Office equipment, fixtures and fittings	– over three to seven years
Computer equipment	– over three to four years
Motor vehicles	– over three to four years
Leasehold improvements	– over the shorter of the lease term or ten years
Freehold and long leasehold property	– over 50 years or the lease term whichever is shorter

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised. These assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

2. Accounting policies, judgements and estimates (continued)

2.16 Dividends

Equity dividends are recognised when they become legally payable. In the case of interim dividends to shareholders, this is when paid. In the case of final dividends, this is when approved by shareholders at each AGM.

2.17 Leases

Leases are defined as a contract which gives the right to use an asset for a period of time in exchange for consideration. As a lessee, the Group recognises three classes of leases on this basis:

- Property leases.
- Motor vehicle leases.
- Other leases.

Property leases and motor vehicle leases have been recognised on the balance sheet, in financial liabilities, by recognising the future cash flows of the lease obligation, discounted using the incremental borrowing rate of the Group, adjusted for factors such as swap rates available and the credit risk of the entity entering into the lease.

Corresponding right-of-use assets have been recognised in the Group Balance Sheet under property, plant and equipment and have been measured as being equal to the discounted lease liability plus any lease payments made at or before the inception of the lease and initial direct costs, less any lease incentives received. Cash flows from these leases have been recognised by including the principal portion of the lease payments in cash flows from financing activities and the interest portion of the lease payment recognised through operating activities.

Other leases are leases for low value items or leases whose contract term is less than 12 months. The practical expedient not to recognise right-of-use assets and lease liabilities for these leases has been utilised by the Group. A charge for these leases has been recognised through the income statement as an operating expense. The cash flows relating to low value and short term leases have been recognised in net cash flows from operating activities.

No leases where the Group is a lessee, or a lessor contain variable lease payments.

For subleases where the Group is an intermediate lessor, the Group has assessed whether the sublease is an operating lease or finance lease in respect to the right-of-use asset generated by the head lease. It has performed this assessment on a lease-by-lease basis. The Group has both finance leases and operating leases based on this assessment, and sublease assets are recognised in financial assets (further details are given in note 26 to these Financial Statements).

2.18 Assets and liabilities held for sale

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

2.19 Pensions

The Group operates a defined contribution pension scheme for employees of all Group companies. The assets of the scheme are invested and managed independently of the finances of the Group. The pension cost charge represents contributions payable in the year.

2.20 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.21 Financial instruments

Financial assets and financial liabilities are recognised in the Group Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through the income statement, directly attributable transaction costs. Financial assets are derecognised when the Group no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

Notes to the Group Financial Statements continued.

for the year ended 31 December 2022

2. Accounting policies, judgements and estimates (continued)

The subsequent measurement of financial assets depends on their classification.

The Group's accounting policy for each category of financial instruments is as follows:

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IFRS 9 Financial Instruments and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets designated at fair value through the income statement

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

Cash and short term deposits

Cash and short term deposits in the balance sheet and cash flow statement comprise cash at bank and in hand and short term deposits with an original maturity period of three months or less.

Trade receivables

Trade receivables do not carry any interest and are stated at their original invoiced value as reduced by appropriate allowances for estimated irrecoverable amounts. The expected credit loss model under IFRS 9 is applied to trade and other receivables. The chosen method of recognising the expected credit loss across the Group is the simplified approach allowing a provision matrix to be used, which is based on the expected life of trade receivables and historic default rates, default being defined as when impaired debts are assessed as uncollectable. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Trade payables

Trade payables are stated in the balance sheet at their original invoice value.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs. Finance costs comprise interest payable on borrowings calculated at the effective interest rate method and recognised on an accruals basis. Borrowing costs are recognised as an expense when incurred.

2.22 Critical accounting judgements and estimates

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

Carrying value of goodwill and intangible assets (estimate)

The Group carries out impairment reviews of intangible assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable, in addition the Group carries out an annual impairment review of goodwill and intangible assets with an indefinite useful life. An impairment loss is recognised where the recoverable amount of the intangible asset or goodwill is calculated as less than the carrying amount. The recoverable amount is based on the higher of VIU and FVLCTS, where an accurate FVLCTS is not obtainable VIU is used as the recoverable amount. The impairment tests are carried out by CGU and reflect the latest Group budgets and forecasts approved by the Board. The budgets and forecasts are based on various assumptions relating to the Group's business including assumptions relating to market outlook, observable trends, and profitability. The outlook for the business is discussed in the Group Chief Executive Officer's Review. A pre-tax discount rate of 14.2% has been used to discount the CGU cash flows and terminal value is applied using a long term growth rate of 2.0%. A sensitivity analysis has been performed allowing for possible changes to the assumptions in the impairment model, see note 16 for details.

2. Accounting policies, judgements and estimates (continued)

Valuation of financial assets (estimate)

The Group uses valuation techniques to measure fair value of financial assets, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value of equity financial assets that are not traded in the open market are valued using the best information available in the circumstances, including cash flow forecasts and Financial Statements, to arrive at the fair value. Where appropriate a range of potential outcomes is considered in reaching a conclusion. Further details of the methodology used are disclosed in note 18 to these Financial Statements. A sensitivity calculation which shows the impact of changes in valuation assumptions is shown in note 32.

Lapse provision (estimate)

Certain subsidiaries sell life assurance products which are cancellable without a notice period, and if cancelled within a set period require that a portion of the commission earned must be repaid. The lapse provision is recognised as a reduction in revenue which is based on historic lapses which have occurred. Details of the assumptions applied to lapse provisions and the impact of changes in average lapse rates are shown in note 23.

Professional Indemnity (PI) claims (estimate)

A provision is made for professional indemnity claims and potential claims that arise during the normal course of business in relation to valuations performed by the Group. This includes an estimate for the settlement of claims already received as well as claims incurred but not yet reported (IBNR). Details of the assumptions applied to PI claims areas are disclosed in notes 8 and 25 to these Financial Statements. A sensitivity calculation which illustrates the impact of different assumptions on the required PI Costs provision is included in note 25.

Contingent consideration (estimate)

In accordance with the accounting standards, estimates have been made with regard to the future profitability of these acquisitions and a provision for the cost of acquiring these interests has been recognised. The provisions are disclosed in note 24 to these Financial Statements. A sensitivity calculation showing the impact of changes to future performance assumptions is included in note 32.

Exceptional items (judgement)

The Group presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Income tax and recognition of deferred tax assets (judgement and estimate)

The Group will pay income taxes based on the tax computations of the subsidiary entities. While the outcome of these tax computations cannot be determined with certainty until the completion of subsidiary accounts, the Management Team's estimates of income taxes are used to determine the tax charges and provisions carried by the Group. The estimated tax charges are calculated having taken consideration of the tax impact of significant transactions within the Group during the respective accounting period. Management also use their existing knowledge of the tax profile of the Group's recurring trading activities and review prior year tax computations to estimate the likely amount of permanent disallowable expenditure.

The Group also 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.

2.23 New standards and interpretations not applied

There have been no new relevant standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2022. Amendments to existing standards do not have a material impact on the Financial Statements.

Notes to the Group Financial Statements continued.

for the year ended 31 December 2022

3. Disaggregation of revenue

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

Year ended 31 December 2022

	Financial Services £'000	Surveying & Valuation £'000	Residential Sales exchange £'000	Lettings £'000	Asset Management £'000	Other £'000	Total £'000
Timing of revenue recognition							
Services transferred at a point in time	87,437	93,228	63,473	60,941	2,811	10,361	318,251
Services transferred over time	—	—	—	2,337	1,150	—	3,487
Total revenue from contracts with customers	87,437	93,228	63,473	63,278	3,961	10,361	321,738

Year ended 31 December 2021

	Financial Services £'000	Surveying & Valuation £'000	Residential Sales exchange £'000	Lettings ¹ £'000	Asset Management £'000	Other £'000	Total £'000
Timing of revenue recognition							
Services transferred at a point in time	84,818	93,699	71,737	59,885	2,217	11,162	323,518
Services transferred over time	—	—	—	2,166	1,148	—	3,314
Total revenue from contracts with customers	84,818	93,699	71,737	62,051	3,365	11,162	326,832

	2022 £'000	2021 £'000
Revenue from services	321,738	326,832
Operating revenue	321,738	326,832
Rental income	656	937
Gain on fair value (note 18)	678	—
Other operating income	1,334	937
Total revenue and operating income	323,072	327,769

¹ 2021 lettings revenue has been restated to reclassify £27.7m of revenue from services transferred over time to services transferred at a point in time. There has been no change in the Group's accounting policy in the prior or current period.

4. Segment analysis of revenue and operating profit

For the year ended 31 December 2022 LSL has reported three operating segments: Financial Services; Surveying & Valuation; and Estate Agency:

- the Financial Services segment, arranges mortgages for a number of lenders and arranges pure protection and general insurance policies for a panel of insurance companies. Embrace Financial Services and First2Protect, subsidiaries within the Financial Services Division, make a commercially agreed introducer's fee to the Estate Agency Division;
- the Surveying & Valuation segment provides a valuations and professional surveying service of residential properties to both lenders and individual customers, as well as data services to lenders; and
- the Estate Agency segment provides services related to the sale and letting of residential properties. It operates a network of high street branches. As part of this process, the Estate Agency Division also provides marketing and arranges conveyancing services. In addition, it provides repossession and asset management services to a range of lenders. Embrace Financial Services and First2Protect, subsidiaries within the Financial Services Division, make a commercially agreed introducer's fee to the Estate Agency Division.

Operating segments

Each reportable segment has various products and services and the revenue from these products and services are disclosed on pages 13 to 20 under the Business Review section of the Strategic Report.

The Management Team monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the Group Financial Statements. Head office costs, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

4. Segment analysis of revenue and operating profit (continued)

Reportable segments

The following table presents revenue and profit information regarding the Group's reportable segments for the financial year ended 31 December 2022 and financial year ended 31 December 2021 respectively.

Year ended 31 December 2022

	Financial Services £'000	Surveying & Valuation £'000	Estate Agency £'000	Unallocated £'000	Total £'000
Income statement information					
Revenue from external customers	87,437	93,228	141,073	–	321,738
Introducer's fee	(5,756)	–	5,756	–	–
Total revenue	81,681	93,228	146,829	–	321,738
Segmental result:					
– Group Underlying Operating Profit/(Loss)	13,260	20,378	10,546	(7,296)	36,888
– Operating Profit/(Loss)	(6,839)	20,799	(61,847)	(8,822)	(56,709)
Finance income					(2,497)
Finance costs					80
Loss before tax					(59,126)
Taxation					(4,891)
Loss for the year					(64,017)
Balance sheet information					
Segment assets – intangible	11,932	11,217	49,056	72	72,277
Segment assets – other	24,182	9,236	66,950	44,957	145,325
Total segment assets	36,114	20,453	116,006	45,029	217,602
Total segment liabilities	(20,983)	(14,926)	(46,440)	(4,200)	(86,549)
Net assets	15,131	5,527	69,566	40,829	131,053
Other segment items					
Capital expenditure including intangible assets	(2,307)	(736)	(1,521)	(343)	(4,907)
Depreciation	(810)	(1,755)	(7,759)	(1,305)	(11,629)
Amortisation of intangible assets	(2,625)	(36)	(1,451)	–	(4,112)
Exceptional gains	–	694	–	–	694
Exceptional costs	(17,458)	–	(71,440)	–	(88,898)
Share of results in joint venture	(494)	–	–	–	(494)
PI Costs provision	–	2,341	–	–	2,341
Onerous leases provision	–	–	14	–	14
Share-based payments	(16)	(237)	(197)	(1,527)	(1,977)

Unallocated net assets comprise intangible assets and plant and equipment £2.0m, other assets £6.2m, cash £36.8m, accruals and other payables £2.2m, and current and deferred tax liabilities £2.0m. Unallocated result comprises costs relating to the Parent Company.

Notes to the Group Financial Statements *continued.*
for the year ended 31 December 2022

4. Segment analysis of revenue and operating profit (continued)

Year ended 31 December 2021

	Financial Services £'000	Surveying & Valuation £'000	Estate Agency £'000	Unallocated £'000	Total £'000
Income statement information					
Revenue from external customers	84,818	93,699	148,315	–	326,832
Introducer's fee	(6,287)	–	6,287	–	–
Total revenue	78,531	93,699	154,602	–	326,832
Segmental result:					
– Group Underlying Operating Profit	14,787	23,609	18,430	(7,507)	49,319
– Operating Profit	9,976	24,721	46,464	(8,577)	72,584
Finance income					14
Finance costs					(2,709)
Profit before tax					69,889
Taxation					(7,985)
Profit for the year					61,904
Balance sheet information					
Segment assets – intangible	20,779	11,086	158,531	73	190,469
Segment assets – other	9,891	12,772	55,046	51,311	129,020
Total segment assets	30,670	23,858	213,577	51,384	319,489
Total segment liabilities	(25,343)	(20,621)	(50,130)	(5,276)	(101,370)
Net assets	5,327	3,237	163,447	46,108	218,119
Other segment items					
Capital expenditure including intangible assets	(1,086)	(657)	(5,157)	(2)	(6,902)
Depreciation	(824)	(1,926)	(9,746)	(4)	(12,500)
Amortisation of intangible assets	(2,496)	(382)	(1,656)	–	(4,534)
Exceptional gains	–	1,641	29,409	–	31,050
Exceptional costs	(714)	–	–	(1,331)	(2,045)
Share of results in joint ventures	(869)	–	1,537	–	668
PI Costs provision	–	3,907	–	–	3,907
Onerous leases provision	–	–	59	–	59
Share-based payments	(270)	(147)	(430)	(1,069)	(1,916)

In the year the Group sold its interests in the two joint ventures recorded in the Estate Agency Division, results for these joint ventures are recorded to their disposal dates. The Group acquired an interest in a joint venture in the Financial Services Division during April 2021.

Unallocated net assets comprise intangible assets and plant and equipment £0.1m, other assets £3.0m, cash £48.5m, accruals and other payables £3.4m, and current and deferred tax liabilities £2.1m. Unallocated result comprises costs relating to the Parent Company.

5. Group and Divisional Underlying Operating Profit

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

Year ended 31 December 2022

	Financial Services £'000	Surveying & Valuation £'000	Estate Agency £'000	Unallocated £'000	Total £'000
(Loss)/profit before tax	(6,843)	20,921	(63,102)	(10,102)	(59,126)
Net finance cost	4	(122)	1,255	1,280	2,417
Operating (loss)/profit per income statement	(6,839)	20,799	(61,847)	(8,822)	(56,709)
Operating margin	(7.8)%	22.3%	(42.1)%	–	(17.6)%
Share-based payments	16	237	197	1,527	1,977
Amortisation of intangible assets	2,625	36	1,451	–	4,112
Exceptional gains	–	(694)	–	–	(694)
Exceptional costs	17,458	–	71,440	–	88,898
Contingent consideration	–	–	(696)	–	(696)
Underlying Operating Profit/(Loss)	13,260	20,378	10,546	(7,296)	36,888
Underlying Operating margin	16.2%	21.9%	7.2%	–	11.4%

Year ended 31 December 2021

	Financial Services £'000	Surveying & Valuation £'000	Estate Agency £'000	Unallocated £'000	Total £'000
Profit/(loss) before tax	9,934	24,714	45,001	(9,760)	69,889
Net finance cost	42	7	1,463	1,183	2,695
Operating profit/(loss) per income statement	9,976	24,721	46,464	(8,577)	72,584
Operating margin	12.7%	26.4%	30.0%	–	22.2%
Share-based payments	270	147	430	1,069	1,916
Amortisation of intangible assets	2,496	382	1,656	–	4,534
Exceptional gains	–	(1,641)	(29,409)	–	(31,050)
Exceptional costs	2,045	–	–	–	2,045
Contingent consideration	–	–	(710)	–	(710)
Underlying Operating Profit/(Loss)	14,787	23,609	18,430	(7,507)	49,319
Underlying Operating margin	18.8%	25.2%	11.9%	–	15.1%

6. Finance income

	2022 £'000	2021 £'000
Finance income on subleased assets	13	9
Other interest	67	5
	80	14

7. Finance costs

	2022 £'000	2021 £'000
Commitment and non-utilisation fees on RCF	1,035	1,048
Unwinding of discount on lease liabilities	1,387	1,507
Unwinding of discount on contingent consideration	75	154
	2,497	2,709

Notes to the Group Financial Statements *continued.*
for the year ended 31 December 2022

8. Exceptional items		
	2022	2021
	£'000	£'000
Exceptional costs:		
Goodwill and intangible asset impairment (note 16)	87,158	–
Estate Agency restructuring costs	1,740	–
Costs relating to investment in joint venture	–	1,179
Financial Services restructuring costs	–	714
Dissolution and impairment of associate Mortgage Gym	–	152
	88,898	2,045
Exceptional gains:		
Exceptional gain in relation to historic PI Costs	(694)	(1,611)
Exceptional gain in relation to sale of joint ventures	–	(29,409)
	(694)	(31,050)

Exceptional costs

Goodwill and intangible asset impairment

During the period there has been an impairment to goodwill of £87.0m (2021: £nil) and an impairment to other intangible assets of £0.1m (2021: £nil), refer to note 16 for further detail.

Estate Agency restructuring costs

The Group initiated a branch closure programme in the Estate Agency Division in response to challenging trading conditions during the year. As a result of the programme the Group incurred non-recurring exceptional costs of £1.7m (2021: £nil).

Exceptional gains

Provision for professional indemnity (PI) claims and insurance claim notification

The Group continued to make positive progress in settling historic PI claims, in which actual settlement costs have been lower than expected, and therefore there has been a release of £0.7m in 2022 (2021: £1.6m) in relation to exceptional PI claims. The treatment of historic PI claims (relating to the 2004 to 2008 high risk lending period) as exceptional is consistent with the original recognition of the provision. Refer to note 25 for further detail.

9. Loss before tax		
Loss/(profit) before tax is stated after charging:		
	2022	2021
	£'000	£'000
Auditor's remuneration (note 10)	1,001	755
Short term leases	1,997	2,333
Low value leases	649	412
Depreciation – owned assets	3,853	3,990
Depreciation – right-of-use assets	7,776	8,510
Gain on disposal of property, plant and equipment and right-of-use assets	(8)	(1,061)

10. Auditor's remuneration		
The remuneration of the auditors is further analysed as follows:		
	2022	2021
	£'000	£'000
Audit of the Financial Statements	333	129
Audit of subsidiaries	543	530
Total audit	876	659
Audit related assurance services (including interim results review)	125	48
Other assurance services	–	48
	1,001	755

11. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As the Group reported a basic loss (2021: profit) per ordinary share, any potential ordinary shares that are dilutive are excluded from the calculation of diluted earnings per share. These options could potentially dilute earnings per share in future periods. The same weighted average number of shares have been used to calculate adjusted basic earnings per share, since the adjusted result of the Group is a profit (2021: profit) the effect of dilutive share options has been included.

	Loss after tax £'000	Weighted average number of shares	2022 Per share amount pence	Profit after tax £'000	Weighted average number of shares	2021 Per share amount pence
Basic EPS	(63,924)	102,659,027	(62.3)	61,941	103,912,148	59.6
Effect of dilutive share options	—	—	—	—	688,806	—
Diluted EPS	(63,924)	102,659,027	(62.3)	61,941	104,600,954	59.2

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these Financial Statements.

The Directors (who were members of the Board at 31 December 2022) consider that the adjusted earnings shown below give a better and more consistent indication of the Group's underlying performance:

	2022 £'000	2021 £'000
Group Underlying Operating Profit	36,888	49,319
Loss attributable to non-controlling interest	93	37
Net finance costs (excluding exceptional and contingent consideration items and discounting on lease liabilities)	(968)	(1,047)
Normalised taxation (tax rate 19%, 2021: 19%)	(6,843)	(9,171)
Adjusted profit after tax attributable to owners of the parent	29,170	39,138

Adjusted basic and diluted EPS

	Adjusted profit after tax £'000	Weighted average number of shares	2022 Per share amount pence	Adjusted profit after tax £'000	Weighted average number of shares	2021 Per share amount pence
Adjusted Basic EPS	29,170	102,659,027	28.4	39,138	103,912,148	37.7
Effect of dilutive share options	—	1,275,216	—	—	688,806	—
Adjusted diluted EPS	29,170	103,934,243	28.1	39,138	104,600,954	37.4

12. Dividends paid and proposed

	2022 £'000	2021 £'000
Declared and paid during the year:		
2022 Interim: 4.0 pence per share (2021 Interim: 4.0 pence)	4,084	4,166
	4,084	4,166
Dividends on shares proposed (not recognised as a liability as at 31 December):		
Equity dividends on shares:		
Dividend: 7.4 pence per share (2021: 7.4 pence)	7,616	7,689

Notes to the Group Financial Statements *continued.*
for the year ended 31 December 2022

13. Cash flow from financing activities

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

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

	At 1 January 2021 £'000	Cash flow £'000	Additions £'000	Disposals £'000	Reclassified as held for sale	At 31 December 2021 £'000
Lease liabilities	33,957	(8,922)	3,567	(485)	–	28,117
Long term debt	13,000	(13,000)	–	–	–	–
	46,957	(21,922)	3,567	(485)	–	28,117

	2022 £'000	2021 £'000
Long term liabilities	6,246	19,670
Short term liabilities	4,669	8,447
	10,915	28,117

Lease liability movements comprise new leases entered into during the year, cancellation of leases and movements between current and non-current liabilities, this also includes interest paid during the year of £1.4m (2021: £1.5m). The Group holds no other long term debt at 31 December 2022 and repaid £13.0m of bank loans (RCF) during 2021.

14. Directors and employees

Remuneration of Directors

	2022 £'000	2021 £'000
Directors' remuneration (short term benefits) ¹	2,004	3,535
Contributions to money purchase pensions schemes (post-employment benefits)	2	2
Share-based payments charge on current incentive schemes	687	532
	2,693	4,069

Note:

¹ Included within this amount are accrued bonuses of £0.0m (2021: £0.9m). The number of Directors who were members of Group money purchase pension schemes during the year totalled 2 (2021: 2). The Directors did not exercise any share options in the current or prior year.

Employee numbers and costs

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

	2022 £'000	2021 £'000
Wages and salaries	175,965	174,567
Social security costs	21,874	19,171
Pension costs	7,809	7,678
Subcontractor costs	921	853
Total employee costs	206,569	202,269
Share-based payment expense (see below)	1,977	1,916

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

	2022	2021
Financial Services	953	942
Surveying & Valuation	931	872
Estate Agency	2,062	2,262
	3,946	4,076

14. Directors and employees (continued)

Share-based payments

The Remuneration Policy on pages 76 to 82 of the Directors' Remuneration Report details the policies in relation to share-based payments, which includes details on the Remuneration Committee's discretion to adjust the LTIP vesting outcomes if it considers that it is not reflective of the underlying performance of LSL.

Long term incentive plan (LTIP)

The Group operates a LTIP (an equity-settled share-based remuneration scheme) for certain employees. Under the LTIP, the options vest if the individual remains an employee of the Group after a three year period, unless the individual has left under certain good leaver terms in which case the options may vest earlier and providing the performance conditions are met.

LTIP 2022 vesting conditions

50% of the options vest based on the TSR of LSL as compared to a comparator group of FTSE Small Cap, excluding investment trusts, over the three year performance period (1 January 2022 to 31 December 2024):

- if the Group is in the top 25% percentile, all of these options will vest;
- if the Group is at the median, 25% will vest;
- straight-line vesting between median and top 25% percentile; and
- below the median, no options vest.

50% of the options are based on LSL's Adjusted Basic EPS performance in financial year ending 31 December 2024:

- if 2024 Adjusted Basic EPS is equal to or over (\geq) 52.8 pence – 100% vest;
- if 2024 Adjusted Basic EPS is equal to 46.9 pence – 25% vest;
- straight-line vesting between 46.9 pence and 52.8 pence; and
- if 2024 Adjusted Basic EPS is below 46.9 pence – no options vest.

LTIP 2021 vesting conditions

50% of the options vest based on the TSR of LSL as compared to a comparator group of FTSE Small Cap, excluding investment trusts, over the three year performance period (1 January 2021 – 31 December 2023):

- if the Group is in the top 25% percentile, all of these options will vest;
- if the Group is at the median, 25% will vest;
- straight-line vesting between median and top 25% percentile; and
- below the median, no options vest.

50% of the options are based on LSL's Adjusted Basic EPS performance in financial year ending 31 December 2023:

- if 2023 Adjusted Basic EPS is equal to or over (\geq) 31.5 pence – 100% vest;
- if 2023 Adjusted Basic EPS is equal to 25.6 pence – 25% vest;
- straight-line vesting between 25.6 pence and 31.5 pence; and
- if 2023 Adjusted Basic EPS is below 25.6 pence – no options vest.

Notes to the Group Financial Statements continued

for the year ended 31 December 2022

14. Directors and employees (continued)

LTIP 2020 vesting conditions

50% of the options vest based on the TSR of LSL as compared to a comparator group of FTSE Small Cap, excluding investment trusts, over the three year performance period (9 November 2020 – 9 November 2023):

- if the Group is in the top 25% percentile, all of these options will vest;
- if the Group is at the median, 25% will vest;
- straight-line vesting between median and top 25% percentile; and
- below the median, no options vest.

50% of the options are based on LSL's Adjusted Basic EPS performance in financial year ending 31 December 2022:

- if 2022 Adjusted Basic EPS is equal to or over (\geq) 31.5 pence – 100% vest;
- if 2022 Adjusted Basic EPS is equal to 25.6 pence – 25% vest;
- straight-line vesting between 25.6 pence and 31.5 pence; and
- if 2022 Adjusted Basic EPS is below 25.6 pence – no options vest.

LTIP 2019 vesting conditions

30% of the options vest based on the TSR of LSL as compared to a comparator group of 21 companies in similar or related sectors over the three year performance period:

- if the Group is in the top 25% percentile, all of these options will vest;
- if the Group is at the median, 25% will vest;
- straight-line vesting between median and top 25% percentile; and
- below the median, no options vest.

70% of the options are based on the Adjusted Basic EPS performance over the three financial years starting with the financial year in which the LTIP award is granted:

- if growth is equal to or over (\geq) 12.0 p.a. – 100% vest;
- if growth is 5.0% p.a. – 25% vest;
- straight-line vesting between 5.0% p.a. and 12.0% p.a.; and
- if growth is below 5.0% p.a. – no options vest.

LTIP 2018 vesting conditions

30% of the options vest based on the TSR of LSL as compared to a comparator group of 22 companies in similar or related sectors over the three year performance period:

- if the Group is in the top 25% percentile, all of these options will vest;
- if the Group is at the median, 25% will vest;
- straight-line vesting between median and top 25% percentile; and
- below the median, no options vest.

70% of the options are based on the Adjusted Basic EPS performance over the three financial years starting with the financial year in which the LTIP award is granted:

- if growth is equal to or over (\geq) 13.0 p.a. – 100% vest;
- if growth is 7.5% p.a. – 25% vest;
- straight-line vesting between 7.5% p.a. and 13.0% p.a.; and
- if growth is below 7.5% p.a. – no options vest.

14. Directors and employees (continued)

	2022		2021	
	Weighted average exercise price £	Number	Weighted average exercise price £	Number
Outstanding at 1 January	–	2,478,445	–	2,575,826
Granted during the year	–	801,959	–	652,289
Exercised during the year	–	(572,553)	–	(94,500)
Lapsed during the year	–	(117,616)	–	(655,170)
Outstanding at 31 December	–	2,590,235	–	2,478,445

There were 36,692 options exercisable at the end of the year (2021: 80,920). The weighted average remaining contractual life is 1.19 years (2021: 1.29 years). The weighted average fair value of options granted during the year was £3.78 (2021: £3.63). The weighted average share price of options at the date of their exercise was £3.67 (2021: £3.50).

Company stock option plan (CSOP)

The Group operates a CSOP (an equity-settled share-based remuneration scheme) for certain employees. Under the CSOP the options vest if the individual remains an employee of the Group after a three year period, unless the individual has left under certain good leaver terms in which case the options may vest earlier.

	2022		2021	
	Weighted average exercise price £	Number	Weighted average exercise price £	Number
Outstanding at 1 January	3.76	550,867	3.67	880,203
Exercised during the year	2.76	(24,504)	3.47	(241,805)
Lapsed during the year	2.84	(46,126)	3.44	(87,542)
Outstanding at 31 December	3.91	480,237	3.76	550,867

There were 480,237 options exercisable at the end of the year (2021: 550,867). The average market value at the date of exercise was £3.91 (2021: £4.42).

Given that the scheme has vested, the weighted average remaining contractual life was 2.42 years (2021: 3.42 years).

SAYE (save-as-you-earn) scheme

The Group has offered options under the SAYE scheme in each of 2011 to 2014, 2016 to 2019 and 2021 years. All these offers were open to all qualifying employees and provide for an exercise price equal to the daily average market price on the date of grant. The options will vest if the employee remains in service for the full duration of the option scheme (three years). There are no cash settlement alternatives.

	2022		2021	
	Weighted average exercise price £	Number	Weighted average exercise price £	Number
Outstanding at 1 January	3.04	1,114,579	2.47	912,044
Granted during the year	–	–	3.27	698,615
Exercised	2.59	(293,089)	2.44	(219,519)
Lapsed during the year due to employees withdrawal	3.09	(176,089)	2.22	(276,561)
Outstanding at 31 December	3.20	645,401	3.04	1,114,579

The weighted average fair value of options granted during the year was £nil (2021: £2.30) and the weighted average remaining contractual life was 0.79 years (2021: 1.92 years). The average market value at the date of exercise was £3.67 (2021: £4.63).

There were 74,414 (2021: 186,161) options exercisable at the end of the year.

Notes to the Group Financial Statements *continued.*
for the year ended 31 December 2022

14. Directors and employees (continued)

BAYE (buy-as-you-earn) scheme

The matching shares element of the SIP/BAYE was introduced and provides participants with one matching share for every five partnership shares purchased. The matching shares are allocated from ordinary shares held by the Trust for the benefit of SIP/BAYE participants. The maximum saving under the scheme would be automatically capped at £150 per month (as per HMRC limits).

	2022		2021	
	Weighted average exercise price £	Number	Weighted average exercise price £	Number
Outstanding at 1 January	2.5	78,000	2.5	78,000
Granted during the year	—	—	—	—
Exercised	—	—	—	—
Lapsed during the year due to employees withdrawal	—	—	—	—
Outstanding at 31 December	2.5	78,000	2.5	78,000

There were nil options exercisable at the end of the year.

All-employee share award

The Group launched its second free share award under its SIP in 2022. The award was £500 per full time employee and a pro-rated award for all part time employees. This award offer was made to LSL employees who had joined the Group on or before 28 February 2022 and remained employed and not serving notice at the date the shares were awarded in April 2022. The awards will normally become available for employees once they have been held in the SIP for three years or more. The weighted average fair value at grant was £3.93. There were nil options exercisable at the end of the year.

The Group's first free share scheme awarded £500 per full time employee and a pro-rated award for all part time employees who had joined the group on or before 31 March 2020 and were still employed and not serving notice at the time the grant was made on 1 October 2020. The awards will normally become available for employees once they have been held in the SIP for three years or more. The weighted average fair value at grant was £2.19. There were nil options exercisable at the end of the year.

	2022		2021	
	Weighted average exercise price £	Number	Weighted average exercise price £	Number
Outstanding at 1 January	—	704,216	—	832,914
Granted during the year	—	501,891	—	—
Lapsed during the year due to employees withdrawal	—	(191,713)	—	(128,698)
Outstanding at 31 December	—	1,014,394	—	704,216

Equity-settled transactions

The assumptions used in the estimation of the fair value of equity-settled options were as follows:

	LTIP 2022	Share award 2022	LTIP 2021	SAYE 2021
Option pricing model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes
Weighted average share price at grant date (£)	3.67	3.93	4.09	4.08
Exercise price (£)	—	—	—	3.27
Expected life of options (years)	3	3	3	3
Expected volatility (%)	100	100	100	100
Expected dividend yield (%)	3.77	3.77	2.94	2.94
Risk free interest rate (%)	1.93	1.93	0.00	0.00

The volatility assumption, measured at the standard deviation of expected share price returns, is based on statistical analysis of historical share price. The dividend yield assumption is based on the fact that the shares awarded are not eligible to receive dividends until the end of the vesting period.

14. Directors and employees (continued)

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

	2022 £'000	2021 £'000
Share-based payment expense during the year	1,977	1,916

A charge of £1.5m (2021: £1.1m) relates to employees of the Company.

15. Taxation

a) Taxation charge

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

	2022 £'000	2021 £'000
UK corporation tax – current year	5,783	7,873
– adjustment in respect of prior years	(824)	(251)
	4,959	7,622
Deferred tax:		
Origination and reversal of temporary differences	(176)	(179)
Changes in tax rates	(56)	562
Adjustment in respect of prior year	164	(20)
Total deferred tax (credit)/charge	(68)	363
Total tax charge in the income statement	4,891	7,985

Corporation tax is recognised at the headline UK corporation tax rate of 19% (2021: 19%).

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

The effective rate of tax for the year was (8.3%) (2021: 11.4%). The effective tax rate for 2022 is higher than the headline UK tax rate of 19% largely as a result of the inclusion within the loss before tax of exceptional impairments to subsidiaries, which are not deductible for corporation tax purposes.

Deferred tax credited directly to other comprehensive income is £0.1m (2021: £0.1m debit). Income tax debited directly to the share-based payment reserve is £0.1m (2021: £0.4m).

There is a prior year adjustment of £0.2m in relation to deferred tax, the majority of this adjustment relates to a lower tax base being attributable to intangible assets than anticipated at the tax provisioning stage.

Notes to the Group Financial Statements continued.

for the year ended 31 December 2022

15. Taxation (continued)

b) Factors affecting tax charge for the year

The tax assessed in the profit and loss account is higher than (2021: lower than) the standard UK corporation tax (CT) rate, because of the following factors:

	2022 £'000	2021 £'000
(Loss)/profit before tax	(59,126)	69,889
Tax calculated at UK standard CT rate of 19% (2021: 19%)	(11,234)	13,279
Non-deductible expenditure/(non-taxable income) from joint ventures and associates	94	(52)
Other disallowable expenses	16,837	431
Non-taxable gains on disposal of investments	–	(5,804)
Impact of movement in contingent consideration credited to the income statement	(118)	(106)
Share-based payment relief	78	(55)
Brought forward losses not previously recognised	(50)	–
Impact of rate change on deferred tax	(56)	562
Prior period adjustments – current tax	(824)	(250)
Prior period adjustment – deferred tax	164	(20)
Total taxation charge	4,891	7,985

Other disallowable expenses of £16.8m (2021: £0.4m) includes the tax impact of exceptional costs of £16.6m (2021: £nil), which are not taxable/deductible for tax purposes. This balance also includes the permanent disallowance of depreciation on assets that do not qualify for capital allowances, this is a recurring adjustment and the tax impact in the year is £0.1m (2021: £0.2m). The impact of non-taxable gains on disposal of investments in 2021 relates to the disposal of the Group's interests in joint ventures LMS and TM Group.

There is a credit to the income statement of £0.8m in relation to a corporation tax prior year adjustment. The major components of this are, utilisation of brought forward losses (£0.3m credit), additional capital allowances (£0.1m credit) and a smaller proportion of legal fees being disallowed (£0.1m credit).

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

	2022 £'000	2021 £'000
Unrecognised deferred tax assets relating to:		
Losses	2,653	2,973
	2,653	2,973

The deferred tax assets may be recoverable in the future and this is dependent on subsidiary companies generating taxable profits sufficient to allow the utilisation of these amounts. These deferred tax assets cannot be offset against profits elsewhere in the Group as they relate to losses brought forward which can only be offset against taxable profits arising from the same trade in which the losses arose. There is no time limit for utilisation of the above tax losses.

d) Deferred tax

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

	2022 £'000	2021 £'000
Net deferred tax liability at 1 January	2,073	1,822
Deferred tax liability arising on acquisitions and business combinations	–	313
Deferred tax on acquisition	–	(161)
Deferred tax liability recognised directly in other comprehensive income	(28)	(276)
Deferred tax (credit) in income statement for the year (note 15a)	(68)	363
Deferred tax movement through opening reserves	–	12
Reclassified as held for sale (note 30)	31	–
Net deferred tax liability at 31 December	2,008	2,073

15. Taxation (continued)

Analysed as:

	2022 £'000	2021 £'000
Accelerated capital allowances	(1,318)	(1,578)
Deferred tax liability on separately identifiable intangible assets on business combinations	4,814	5,293
Deferred tax on financial assets	13	144
Deferred tax on share options	(713)	(993)
Other short term temporary differences	(319)	(312)
Trading losses recognised	(500)	(481)
Reclassified as held for sale (note 30)	31	—
	2,008	2,073

Deferred tax credit/(expense) in income statement relates to the following:

	2022 £'000	2021 £'000
Intangible assets recognised on business combinations	479	(948)
Accelerated capital allowance	(260)	76
Deferred tax on share options	(179)	359
Other temporary differences	/	35
Trading losses recognised	21	115
	68	(363)

At the end of either year there was no unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries.

16. Intangible assets

Goodwill

	£'000
Cost	
At 1 January 2021	159,863
Arising on acquisitions	1,002
At 31 December 2021	160,865
Impairment	(87,041)
Reclassified as held for sale (note 30)	(17,294)
At 31 December 2022	56,530
Net book value	
At 31 December 2022	56,530
At 31 December 2021	160,865

Notes to the Group Financial Statements *continued.*
for the year ended 31 December 2022

16. Intangible assets (continued)

The carrying amount of goodwill by CGU is summarised below:

	2022 £'000	2021 £'000
Financial Services segment companies		
Group First (reclassified as held for sale – note 30)	–	13,913
RSC (reclassified as held for sale – note 30)	–	7,128
First Complete	3,998	3,998
Advance Mortgage Funding	2,604	2,604
Personal Touch Financial Services	348	348
DLPS	–	1,002
	6,950	28,993
Surveying & Valuation segment company		
e.surv	9,569	9,569
Estate Agency segment companies		
Your Move and Reeds Rains	16,815	58,800
Marsh & Parsons (reclassified as held for sale – note 30)	–	40,307
LSLi	22,512	22,512
Templeton LPA	336	336
Others	348	348
	40,011	122,303
Total	56,530	160,865

Impairment of goodwill and other intangibles with indefinite useful lives

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

- Financial Services companies
 - Group First
 - RSC
 - First Complete
 - Advance Mortgage Funding
 - Personal Touch Financial Services
 - DLPS
- Surveying & Valuation company
 - e.surv
- Estate Agency companies
 - Your Move and Reeds Rains (including its share of cash flows from LSL Corporate Client Department)
 - Marsh & Parsons
 - LSLi
 - Templeton LPA
 - St Trinity

16. Intangible assets (continued)

Recoverable amount of companies

The recoverable amount of the Financial Services, Surveying & Valuation and Estate Agency companies has been determined based on a value-in-use (VIU) calculation using cash flow projections based on financial budgets and forecasts approved by the Board and in the three year plan. Where cash generating units have been designated as held for sale at the balance sheet date the recoverable amount has been calculated as the CGU's fair value less costs to sell (FVLCTS). The fair value of Group First, RSC and Marsh & Parsons has been determined using the arm's length sales price for each business, which is the equivalent of the consideration received/receivable (discounted where appropriate) less transaction costs. This is a level 3 measurement per the fair value hierarchy, based on a combination of earnings multiples and unobservable inputs. The key assumptions are discount rate and earnings, for further information see note 30 and 34, respectively. The impairment review of Group First, RSC and Marsh & Parsons was triggered by the Group's decision to sell these CGUs. The discount rate applied to cash flow projections used in the VIU models is 14.2% (2021: 12.2%) and cash flows beyond the three year plan are extrapolated using a 2.0% growth rate (2021: 2.0%).

Following the impairment review, an impairment loss on goodwill of £87.0m (2021: £nil) was recognised in the income statement. The impairment loss was split between Financial Services £17.3m and Estate Agency £69.7m and further disaggregated by CGU as follows; Your Move and Reeds Rains (£42.0m), Marsh & Parsons (£27.7m), DLPS (£1.0m), Group First (£10.3m) and RSC (£6.0m). There were no impairment reversals during the period.

During December 2022 the Group made the strategic decision to sell both Group First and RSC to its joint venture partner Pivotal Growth and separately made the decision to sell Marsh & Parsons. The decision to sell Group First and RSC is consistent with the Group's wider strategic objectives to simplify the Group structure and grow the Financial Services business. Pivotal Growth's focus is on the development of D2C mortgage brokering and as such they are better placed to maximise the value of the companies. The sale of Group First and RSC completed on 13 January 2023. Similar to Group First and RSC, the decision to sell Marsh & Parsons was made to further simplify the Group structure and focus on core opportunities in Financial Services, whilst also reducing exposure to the volatile London housing market.

In respect of Your Move and Reeds Rains and DLPS, changes in market conditions have resulted in downwards revisions to future cash flow forecasts in comparison to December 2021 and this has been further exacerbated by a significant increase in discount rates. The recoverable amounts for CGUs which have recognised an impairment loss during the period have been calculated as follows:

	2022 £'000	2021 £'000
Recoverable amount		
Your Move and Reeds Rains	16.7	63.1
Marsh & Parsons (reclassified as held for sale – see note 30)	28.9	55.7
DLPS	0.4	8.7
Group First (reclassified as held for sale – see note 30)	4.2	27.7
RSC (reclassified as held for sale – see note 30)	1.4	12.8
At 31 December	51.6	168.0

Key assumptions used in value-in-use calculations

The calculation of value-in-use for each of the Financial Services, Surveying & Valuation and Estate Agency companies is most sensitive to the following assumptions:

- Discount rates.
- Performance in the market.

Discount rates

Reflect management's estimate of the post-tax Weighted Average Cost of Capital (WACC) of the Group and this is grossed up to arrive at a pre-tax discount rate (using a tax rate of 25.0%) of 14.2% (2021: 12.2%). This is the benchmark used by management to assess operating performance and to evaluate future acquisition proposals.

Performance in the market

Reflects how management believes the business will perform over the three year period and is used to calculate the value-in-use of the CGUs.

Sensitivity to changes in assumptions

Sensitivity analysis has been performed to assess whether reasonably possible changes to key assumptions would lead to further impairments across the Group and to highlight the extent to which the impairments recognised in Your Move and Reeds Rains and DLPS are impacted by changes in key assumptions. If the post-tax discount rate was to increase by 1.0% the impairment charge in Your Move and Reeds Rains and DLPS would increase to £44.0m and £1.2m respectively, as well as an impairment in LSLi of £2.1m. Similarly, if the terminal growth rate applied was reduced by 0.5% this would increase the impairment charge recognised in Your Move and Reeds Rains and DLPS to £42.9m and £1.1m, as well as an impairment in LSLi of £0.8m. A reduction in each of the three years of cash flow forecast by 10.0% would increase the impairment charges in Your Move and Reeds Rains and DLPS to £44.5m and £1.2m, as well as an impairment in LSLi of £2.5m. The recoverable amount of LSLi at 31 December 2022 was £25.8m (2021: £43.3m).

Notes to the Group Financial Statements *continued.*
for the year ended 31 December 2022

16. Intangible assets (continued)					
Other intangible assets					
	Brand names £'000	Customer contracts £'000	Lettings contracts £'000	Other ¹ £'000	Total £'000
Cost					
At 1 January 2021	19,265	–	21,770	16,939	57,974
Additions	–	–	–	2,191	2,191
Arising on acquisition	–	625	–	3,428	4,053
At 31 December 2021	19,265	625	21,770	22,558	64,218
Additions	–	–	–	2,881	2,881
Reclassified as held for sale (note 30)	(12,163)	–	–	(1,128)	(13,291)
At 31 December 2022	7,102	625	21,770	24,311	53,808
Amortisation and impairment					
At 1 January 2021	191	–	17,692	12,197	30,080
Amortisation	–	286	1,345	2,903	4,534
Disposals	–	–	–	–	–
At 31 December 2021	191	286	19,037	15,100	34,614
Amortisation	–	313	1,163	2,636	4,112
Other intangibles impairment	–	–	–	117	117
Reclassified as held for sale (note 30)	–	–	–	(782)	(782)
At 31 December 2022	191	599	20,200	17,071	38,061
Net book value					
At 31 December 2022	6,911	26	1,570	7,240	15,747
At 31 December 2021	19,074	339	2,733	7,458	29,604

Note:

¹ Other relates to in house software and Estate Agency franchise agreements.

The carrying amount of brand by operating unit is as follows:

	2022 £'000	2021 £'000
Financial Services companies		
Group First (reclassified as held for sale – note 30)	–	396
Advance Mortgage Funding	180	180
RSC (reclassified as held for sale – note 30)	–	43
	180	619
Surveying & Valuation company		
e.surv	1,305	1,305
Estate Agency companies		
Marsh & Parsons (reclassified as held for sale – note 30)	–	11,724
Your Move	2,510	2,510
Reeds Rains	1,241	1,241
LSLi	1,675	1,675
	5,426	17,150
Total	6,911	19,074

Intangibles transferred to held for sale consist of goodwill amounting to £17.3m and other intangibles with a net book value of £12.5m.

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

	Land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost					
At 1 January 2021	41,981	9,692	9,147	29,743	90,563
Additions	1,694	587	1,868	4,123	8,272
Acquisitions	–	–	20	891	911
Disposals	(2,468)	(668)	(2,032)	(16,016)	(21,184)
At 31 December 2021	41,207	9,611	9,003	18,741	78,562
Additions	3,069	242	2,075	1,785	7,171
Disposals	(3,743)	(660)	(1,908)	(1,082)	(7,393)
Transferred to asset held for sale (note 30)	(18,619)	(7,747)	(1,726)	(3,524)	(31,616)
At 31 December 2022	21,914	1,446	7,444	15,920	46,724
Depreciation and impairment					
At 1 January 2021	12,875	5,709	4,920	24,318	47,822
Acquisitions	–	–	6	801	807
Charge for the year	6,138	902	2,419	3,041	12,500
Disposals	(1,134)	(630)	(1,905)	(15,968)	(19,637)
At 31 December 2021	17,879	5,981	5,440	12,192	41,492
Charge for the year	5,831	860	1,969	2,969	11,629
Disposals	(2,553)	(499)	(1,849)	(1,079)	(5,980)
Transferred to asset held for sale (note 30)	(6,300)	(5,248)	(1,087)	(3,352)	(15,987)
At 31 December 2022	14,857	1,094	4,473	10,730	31,154
Net book value					
At 31 December 2022	7,057	352	2,971	5,190	15,570
At 31 December 2021	23,328	3,630	3,563	6,549	37,070
Property, plant and equipment	244	352	–	5,190	5,786
Right-of-use assets	6,813	–	2,971	–	9,784
	7,057	352	2,971	5,190	15,570

In 2022, the Group disposed of assets with a net book value of £1.4m, including property, plant and equipment of £1.2m (of which £1.1m relates to Estate Agency restructuring) and right-of-use assets of £0.2m. There were no proceeds associated with the disposals recognised in the year, a gain of £8k has been recognised in the income statement relating to the disposal of right-of-use assets and associated liabilities.

The additions value consists of property, plant and equipment of £2.0m (2021: £4.7m) and right-of-use assets of £5.1m (2021: £3.6m). Assets transferred to held for sale include right-of-use assets with a net book value of £12.7m and property, plant and equipment with a net book value of £2.9m.

In 2021 assets with a net book value of £1.5m were disposed of during the year. This included leasehold properties with a net book value of £0.6m which were sold for net proceeds of £1.7m resulting in a profit on disposal of £1.1m. Of the £1.7m proceeds, £0.4m was received during the year and the remaining £1.3m was included in receivables at 31 December 2021.

Notes to the Group Financial Statements continued.

for the year ended 31 December 2022

18. Financial assets		
	2022	2021
	£'000	£'000
<i>Investment in equity instruments – at fair value</i>		
Unquoted shares at fair value	1,000	5,418
<i>IFRS 16 lessor financial assets</i>	45	330
	1,045	5,748
Opening balance	5,748	9,561
Fair value adjustments through the income statement	678	14
Fair value adjustments through the OCI	(5,096)	(1,557)
Disposals	(68)	(2,270)
Reclassified as held for sale (note 30)	(217)	–
Closing balance	1,045	5,748

Investment in equity instruments

The financial assets include unlisted equity instruments which are carried at fair value. Fair value is judgemental given the assumptions required and have been valued using a level 3 valuation unless otherwise stated.

Yopa Property Limited

The carrying value of the Group's investment in Yopa at 31 December 2022 has been assessed as £nil (2021: £4.5m). In determining the carrying value the Group considered both the historic and current trading performance of Yopa, which continued to be loss making and the general market share decline of hybrid estate agencies. In January 2023, the Group agreed to sell its shares in Yopa for £nil consideration based on third party valuations provided to the existing shareholders.

Vibrant Energy Matters Limited (VEM)

The carrying value of the Group's investment in VEM at 31 December 2022 has been assessed as £0.2m (2021: £0.7m), our valuation is based on a four year weighted EBITDA multiple applied to actual and forecast profits.

Global Property Ventures Limited

The carrying value of the Group's investment in Global Property Ventures Limited at 31 December 2022 has been assessed as £0.1m (2021: £0.1m).

NBC Property Master Limited

The carrying value of the Group's investment at 31 December 2022 has been assessed as £nil (2021: £0.1m).

Openwork Units

During the period the fair value of units held in The Openwork Partnership LLP was reassessed to £0.7m (31 December 2021: £nil), recognised in other operating income. Our valuation is based on the average strike price for recently executed internal trading windows.

19. Investments in joint ventures and associates

	2022 £'000	2021 £'000
Investment in joint ventures and associates	5,068	1,610
Investments in joint ventures		
Opening balance	1,610	11,406
Disposal of LMS	–	(8,249)
Disposal of TMG	–	(3,120)
Dividend received from LMS	–	(1,178)
Equity investment in Pivotal Growth	3,952	2,477
Equity accounted (loss)/profit	(494)	274
Closing balance	5,068	1,610

Pivotal Growth

Throughout 2022, the Group invested a further £4.0m in Pivotal Growth (Pivotal) and maintains a 47.8% holding in the entity.

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

	2022 £'000	2021 £'000
Pivotal balance sheet:		
Non-current assets	11,827	2,549
Current assets (excluding cash and cash equivalents)	257	516
Cash and cash equivalents	1,986	1,763
Current liabilities	(1,357)	(991)
Non-current liabilities	(2,110)	(469)
Net assets	10,603	3,368
LSL share of net assets	5,068	1,610

	2022 £'000	2021 £'000
Pivotal results:		
Revenue	6,217	109
Operating expenses	(6,974)	(2,354)
Operating loss	(757)	(2,245)
Finance costs	(6)	1
Loss before tax	(763)	(2,244)
Taxation	(269)	426
Loss after tax	(1,032)	(1,818)
LSL share of loss after tax	(494)	(868)

Disposal and share of profit of LMS and TMG

In May 2021, the Group sold its 49.6% (2020: 50.0%) interest in LMS, a joint venture whose principal activity is to provide conveyancing panel management services. The carrying value of LMS at the time of disposal was £8.2m. LSL received £12.0m as consideration for its share of LMS. The associated share of profit from LMS in 2021 was £0.4m.

In July 2021, the Group sold its 32.34% (2020: 33.33%) holding in TM Group (TMG). The carrying value of TMG at the time of disposal was £3.1m. LSL received £29.3m as consideration for its share of TMG. The associated share of profit from TMG in 2021 was £0.8m, with an additional £0.4m of shareholder service charges.

Claims indemnity provision and contingency

Included in the sale agreement of LMS was a claims indemnity of £2.0m, for which the Company has provided £0.6m, which it considers to be the most likely outcome. Further cases exist and are considered possible, not probable, therefore no further provision has been made for these cases in the Financial Statements. Should these claims succeed the estimated further cost would be £1.4m.

Notes to the Group Financial Statements continued

for the year ended 31 December 2022

20. Contract assets		
	2022	2021
	£'000	£'000
Non-current contract asset	431	733
Current contract asset	348	424
	779	1,157

In the prior year, the Group entered into a long term contract for the provision of mortgage and insurance advice in the Financial Services Division. In accordance with IFRS 15, items relating to the reimbursement of costs associated with the award of material contracts in the Group have been recognised as contract assets. This reimbursement will be amortised over the term of the contracts. The amount of amortisation recognised in the income statement in 2022 is £0.4m (2021: £0.4m).

21. Trade and other receivables		
	2022	2021
	£'000	£'000
Current		
Trade receivables	14,887	12,712
Prepayments	18,743	20,317
Other debtors	380	800
Reclassified to held for sale (note 30)	(7,402)	–
	26,608	33,829

Trade receivables are non-interest-bearing and are generally on 4 to 30 day terms depending on the services to which they relate. As at 31 December 2022, trade receivables with a nominal value of £3.0m (2021: £3.2m) were impaired and fully provided for. Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2022	2021
	£'000	£'000
At 1 January	3,248	4,040
Provision for expected credit losses	453	236
Amounts written off	(713)	(1,028)
At 31 December	2,988	3,248

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

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

	Total	Neither past due nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2022	17,875	9,571	2,504	780	329	211	4,480
2021	15,960	7,546	2,932	449	187	241	4,605

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

	Neither past due nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
2022	1.65%	7.77%	17.77%	36.79%	50.06%	50.68%
2021	0.70%	4.30%	13.50%	34.30%	46.20%	45.80%

During 2022 the expected credit loss rate applied to all ageing brackets over 30 days has increased due to a higher expectation of credit risk. This has been driven by increased bad debt write offs in the year.

22. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash and cash equivalents	36,755	48,464

Cash at bank earns interest at floating rates based on daily bank overnight deposit rates. Cash of £3.4m has been reclassified to assets held for sale (note 30).

23. Trade and other payables

	2022 £'000	2021 £'000
Current		
Trade payables	8,416	8,207
Other taxes and social security payable	11,764	12,247
Other payables	2,524	3,600
Accruals	25,430	35,222
Lapse provision	5,240	4,930
Reclassified to held for sale (note 30)	(6,344)	–
	47,030	64,206

Lapse provision

Certain subsidiaries sell life assurance and general insurance products with terms from one to four years which are cancellable without a notice period, and if cancelled within a set period require that a portion of the commission earned must be repaid. The lapse provision is recognised as a reduction in revenue which is based on historic lapse experience. The provision is managements best estimate of future clawed back commission on life assurance policies, taking into account historic lapse rates in each subsidiary. If average lapse rates across all products sold were to increase by 1.0%, the total provision would increase by £0.3m.

Dilapidation provision

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

24. Financial liabilities

	2022 £'000	2021 £'000
Current		
IFRS 16 lessee financial liabilities	4,669	8,447
Contingent consideration	2,280	76
	6,949	8,523
Non-current		
IFRS 16 lessee financial liabilities	6,246	19,670
Contingent consideration	31	2,932
	6,277	22,602

Bank loans – RCF and overdraft

In accordance with the terms at 31 December 2022, the utilisation of the RCF may vary each month as long as this does not exceed the maximum £90.0m facility (2021: £90.0m). The Group's overdraft is also secured on the same facility, and the combined overdraft and RCF cannot exceed £90.0m (2021: £90.0m). The banking facility is repayable when funds permit on or by May 2024.

In February 2023, LSL amended and restated the RCF facility, the renewed facility now runs to May 2026 with a new limit of £60.0m.

The bank loan totalling £nil (2021: £nil) is secured via cross guarantees issued from the following businesses: LSL Property Services plc, Your-move.co.uk Limited, Reeds Rains Limited, e.surv Limited, Lending Solutions Holdings Limited, First Complete Limited, New Daffodil Limited, St Trinity Limited, LSL Corporate Client Services Limited, Advance Mortgage Funding Limited, LSLi Limited, Davis Tate Limited, Lauristons Limited, David Frosts Estate Agents Limited, ICIEA Limited, GFEA Limited, JNP Estate Agents Limited, Vitalhandy Enterprises Limited, Personal Touch Financial Services Limited, Personal Touch Administration Services Limited and Embrace Financial Services Limited.

Fees payable on the RCF amounted to £1.0m during the year (2021: £1.0m) including amortisation of arrangement fees and non-utilisation fees.

Notes to the Group Financial Statements *continued.*
for the year ended 31 December 2022

24. Financial liabilities (continued)

Contingent consideration

	2022 £'000	2021 £'000
RSC	2,280	2,615
DLPS	31	393
	2,311	3,008
Current contingent consideration	2,280	76
Non-current contingent consideration	31	2,932
Total contingent consideration	2,311	3,008
Opening balance	3,008	5,447
Cash paid	(76)	(2,462)
Acquisition	—	579
Amounts recorded through income statement	(621)	(556)
Closing balance	2,311	3,008

RSC

£2.3m (2021: £2.6m) of contingent consideration relates to RSC. The movement relates to the assessment of the fair value of the contingent consideration which has been calculated using earnings multiples of between five and six times EBITA (plus excess cash in the business) and has been capped at a maximum of £7.5m. The contingent consideration of £2.3m, in line with the fair value recognised at 31 December 2022 was subsequently paid in January 2023.

Direct Life and Pension Services Limited

£0.03m of contingent consideration relates to DLPS, acquired in January 2021. The additional consideration has been calculated using earnings multiple of four times EBITA. During 2022 £0.1m (2021: £2.4m) of contingent consideration was paid to former shareholders.

The table below shows the allocation of the contingent consideration (income)/charge between the various categories:

	2022 £'000	2021 £'000
Arrangement under IFRS 3	(696)	(710)
Unwinding of discount on contingent consideration (note 7)	75	154
Credit to income statement	(621)	(556)

The contingent consideration charged to the income statement in the year, excluding the unwinding of discount relates to the previous acquisitions of RSC, credit of £0.3m (2021: credit of £0.4m) and DLPS, credit of £0.3m (2021: £0.3m credit).

25. Provisions for liabilities

	2022			2021		
	PI claim provision £'000	Onerous leases £'000	Total £'000	PI claim provision £'000	Onerous leases £'000	Total £'000
Balance at 1 January	3,907	59	3,966	7,042	136	7,178
Amount utilised	(762)	(38)	(800)	(2,070)	(67)	(2,137)
Amount released	(804)	(7)	(811)	(1,641)	(10)	(1,651)
Provided in financial year	—	107	107	576	—	576
Reclassified to held for sale (note 30)	—	(107)	(107)	—	—	—
Balance at 31 December	2,341	14	2,355	3,907	59	3,966
Current liabilities	647	13	660	735	40	775
Non-current liabilities	1,694	1	1,695	3,172	19	3,191
	2,341	14	2,355	3,907	59	3,966

25. Provisions for liabilities (continued)

PI release

The PI release consists of £0.7m of exceptional and £0.1m of non-exceptional.

PI Costs (professional indemnity claims) provision

The PI Costs provision is to cover the costs of claims relating to valuation services for clients. The PI Costs provision includes amounts for claims already received from clients, claims yet to be received and any other amounts which may be payable as a result of legal disputes associated with the provision of valuation services.

The provision is the Director's best estimate of the likely outcome of such claims, taking account of the incidence of such claims and the size of the loss that may be borne by the claimant, after taking account of actions that can be taken to mitigate losses.

The PI Costs provision will be utilised as individual claims are settled, and the settlement amount may vary from the amount provided depending on the outcome of each claim. It is not possible to estimate the timing of payment of all claims and therefore a significant proportion of the provision has been classified as non-current. Claims are settled, on average, 3.7 years after initial notification.

As at 31 December 2022 the total provision for PI Costs was £2.3m. The Directors have considered the sensitivity analysis on the key risks and uncertainties discussed above.

Cost per claim

A substantial element of the PI Costs provision relates to specific claims where disputes are ongoing. These specific cases have been separately assessed and specific provisions have been made. The average cost per claim has been used to calculate the claims incurred but not yet reported (IBNR). Should the costs to settle and resolve these claims and future claims increase by 10%, an additional £0.1m would be required.

Rate of claim

The IBNR assumes that the rate of claim for the high risk lending period in particular reduces over time. Should the rate of reduction be lower than anticipated and the duration extended, further costs may arise. An increase of 30% in notifications in excess of that assumed in the IBNR calculations would increase the required provision by £0.4m.

Notifications

The Group has received a number of notifications which have not deteriorated into claims or loss. Should the rate of deterioration increase by 50%, an additional provision of less than £0.1m would be required.

26. Leases

At the year ended 31 December 2022, the Group has the following in regards to leases in the Group Balance Sheet.

Right-of-use assets

	2022			2021		
	Property £'000	Motor vehicles £'000	Total £'000	Property £'000	Motor vehicles £'000	Total £'000
1 January	22,788	3,550	26,338	27,544	4,218	31,762
Additions	3,356	2,075	5,431	1,694	1,868	3,562
Disposals	(1,479)	(52)	(1,531)	(350)	(126)	(476)
Depreciation	(5,813)	(1,963)	(7,776)	(6,100)	(2,410)	(8,510)
Reclassified as held for sale (note 30)	(12,039)	(639)	(12,678)	—	—	—
31 December	6,813	2,971	9,784	22,788	3,550	26,338

These are included in the carrying amounts of PPE on the face of the Group Balance Sheet and have been included in note 17.

Notes to the Group Financial Statements continued.
for the year ended 31 December 2022

26. Leases (continued)

Lease liabilities

	2022 £'000	2021 £'000
1 January	28,117	33,957
Additions	5,550	3,567
Interest expense	1,387	1,507
Disposals	(875)	(485)
Repayment of lease liabilities	(8,557)	(10,429)
Reclassified as held for sale (note 30)	(14,707)	–
31 December	10,915	28,117

The Group added £5.5m (2021: £3.5m) of new lease liabilities in the year. The weighted average discount rate applied across the Group for these additions was 7.21% (2021: 7.25%).

Maturity of these lease liabilities is analysed as follows:

	Property £'000	Vehicles £'000	Total £'000
Current lease liabilities	3,101	1,568	4,669
Non-current lease liabilities	4,481	1,765	6,246
31 December 2022	7,582	3,333	10,915

These are included in non-current and current financial liabilities on the face of the Group Balance Sheet, and have been included in note 24. Maturity analysis of the future cash flows of lease liabilities has been included in note 32.

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:

	2022 £'000	2021 £'000
Depreciation of right-of-use assets		
Property	(5,813)	(6,100)
Vehicles	(1,963)	(2,410)
Short term and low value lease expense (note 9)	(2,646)	(2,745)
Sublease income	68	20
Charge to operating profit	(10,354)	(11,235)
Interest expense related to lease liabilities	(1,387)	(1,507)
Interest income related to sublease	–	–
Charge to profit before taxation	(1,387)	(1,507)
Cash outflow relating to operating activities	(4,101)	(4,272)
Cash outflow relating to financing activities	(7,102)	(8,902)
Total cash outflow relating to leases	(11,203)	(13,174)

At 31 December 2022 the Group had not entered into any leases to which it was committed but had not yet commenced.

27. Share capital

	2022		2021	
	Shares	£'000	Shares	£'000
Authorised:				
Ordinary shares of 0.2 pence each	500,000,000	1,000	500,000,000	1,000
Issued and fully paid:				
At 1 January	105,158,950	210	105,158,950	210
Issued in the year	–	–	–	–
At 31 December	105,158,950	210	105,158,950	210

28. Reserves

Share premium

The amount subscribed for share capital in excess of nominal value less any costs attributable to the issue of new shares.

Share-based payment reserve

The share-based payment reserve is used to record the value of equity-settled share-based payment provided to the employees, as part of their remuneration. Note 14 gives further details of these plans.

Shares held by EBT

Shares held by EBT represent the cost of LSL shares purchased in the market and held by the Trust to satisfy future exercise of options under the Group's employee share options schemes. At 31 December 2022 the Trust held 1,063,097 (2021: 1,042,276) LSL shares at an average cost of £3.72 (2021: £2.95). The market value of the LSL shares at 31 December 2022 was £4.1m (2021: £3.1m). The nominal value of each share is 0.2 pence.

Treasury shares

Treasury shares represent the cost of LSL shares purchased in the market as a result of a share buy back scheme which commenced in April 2022 and ceased in September 2022. At 31 December 2022, LSL had repurchased 1,179,439 (2021: nil) LSL shares at an average cost of £3.38 (2021: £nil). The market value of the LSL shares at 31 December 2022 was £4.1m (2021: £nil). The nominal value of each share is 0.2 pence.

Fair value reserve

The fair value reserve is used to record the changes in fair value of equity financial assets that the Group has elected to recognise through OCI. Note 18 to these Financial Statements gives further details of the movement in the current year.

29. Pension costs and commitments

The Group operates defined contribution pension schemes for certain Executive Directors and certain employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

The total contributions to the defined contribution schemes in the year were £7.8m (2021: £7.6m). At 31 December 2022 there were outstanding pension contributions of £0.9m (2021: £0.9m) included in trade and other payables.

30. Assets and liabilities held for sale

Amounts categorised as held for sale include the assets and liabilities of RSC, Group First Limited and Marsh & Parsons (Holdings) Limited and its direct subsidiaries.

At 31 December 2022, the Group was in advanced discussions to dispose of Group First and RSC in a combined sale to the Group's joint venture partner Pivotal Growth (Pivotal). At the same time, the Group was in initial discussions with a potential buyer to dispose of Marsh & Parsons. The Group concluded that RSC, Group First and Marsh & Parsons satisfied the criteria to be classified as held for sale at 31 December 2022, the sales concluded on 13 January and 26 January respectively.

Group First, RSC and Marsh & Parsons have been measured at their respective fair value less cost to sell (FVLCTS), which is the equivalent of the consideration received/receivable less transaction costs. The consideration associated with the sales of RSC and Group First has been deferred to 2025 and therefore has been discounted in the calculation of the fair value, the Group has applied a discount rate of 13.4%.

Notes to the Group Financial Statements continued.

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30. Assets and liabilities held for sale (continued)

The composition of assets and liabilities held for sale on the balance sheet is set out below:

Year ended 31 December 2022

Assets held for sale	£'000
Goodwill	17,294
Other intangibles	12,509
Property, plant and equipment	15,629
Financial assets	217
Trade and other receivables	7,402
Deferred tax asset	31
Cash and cash equivalents	3,355
Total	56,437
Liabilities held for sale	£'000
Trade and other payables	6,344
Financial liabilities	14,707
Provisions	107
Current tax liability	772
Total	21,930

Goodwill was impaired by £44.0m (Marsh & Parsons: £27.7m, Group First: £10.3m, RSC £6.0m) prior to its classification as held for sale. Trade and other payables of £6.3m as above, includes lapse provisions for both Group First and RSC of £0.7m, which has also been classified as held for sale.

The 2022 results for the businesses classified as held for sale are recognised in the table below:

	£'000
Revenue	43,022
Operating profit	2,375
Profit before tax	346
Loss after tax	(9)

31. Client monies

As at 31 December 2022, monies held by subsidiaries in separate bank accounts on behalf of clients amounted to £104.1m (2021: £101.1m). Neither this amount, nor the matching liabilities to the clients concerned are included in the Group Balance Sheet.

Client funds are protected by the Financial Services Compensation Scheme (FSCS) under which the Government guarantees amounts up to £85,000. This guarantee applies to each individual client, not the total of deposits held by LSL.

32. Financial instruments – risk management

The Group's principal financial instruments comprise of cash and cash equivalents with access to a £90m loan facility. The Group's loan facility was amended and restated during February 2023 with a new credit limit of £60m. The main purpose of these financial instruments is to raise finance for the Group's operations and to fund acquisitions. The Group has various financial assets and liabilities such as trade receivables, cash and short term deposits and trade payables, which arise directly from its operations.

The Group is exposed through its operations to the following financial risks:

- interest rate risk;
- liquidity risk; and
- credit risk.

Policy for managing these risks is set up by the Board following recommendations from the Group Chief Financial Officer. Certain risks are managed centrally, while others are managed locally following communications from the centre. The policy for each of the above risks is described in more detail below.

32. Financial Instruments – risk management (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates. The majority of external Group borrowings are at variable interest rates based on the Bank of England base rate plus a margin and this policy is managed centrally. The subsidiaries are not permitted to borrow from external sources directly without approval from the Group Finance team.

The Group has not drawn down on its RCF facility during the year to 31 December 2022 and therefore has incurred no interest, the amount shown in interest expense relates to the amortisation of the facility fees.

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generation by its operations, dividend policy and acquisition strategy. Acquisitions are carefully selected with authorisation limits operating up to Board level and cash payback periods applied as part of the investment appraisal process. In this way the Group aims to maintain a good credit rating to facilitate fundraising. The Group is also very cash generative as demonstrated by the cash from operations. The Group has net current assets in the current year. The requirement to pay creditors is managed through future cash generation and, if required, from the RCF.

The Group monitors its risk of a shortage of funds using a recurring liquidity planning tool and daily cash flow reporting. This includes consideration of the maturity of both its financial investments and financial assets (for example accounts receivable, and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility for potential acquisitions through the use of its banking facilities.

Cash at the bank earns interest at floating rates based on daily bank overnight deposit rates. Short term deposits are made for varying periods of time depending on the immediate cash requirements of the Group and earn varying interest rates. The fair value of cash and cash equivalents is £40.1m, including £3.4m which is held within asset held for sale (2021: £48.5m). At 31 December 2022, the Group had available £90.0m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met (2021: £90.0m).

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

Year ended 31 December 2022

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Trade payables	–	8,416	–	–	–	8,416
Other payables	–	39,718	–	–	–	39,718
Contingent consideration	–	2,280	–	31	–	2,311
Lease liabilities	–	1,886	5,659	15,371	5,025	27,941
	–	52,300	5,659	15,402	5,025	78,386

This includes all payable balances that have been transferred to liabilities held for sale.

Year ended 31 December 2021

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Trade payables	–	8,207	–	–	–	8,207
Other payables	–	38,824	–	–	–	38,824
Contingent consideration	–	76	–	3,228	–	3,304
Lease liabilities	–	2,003	6,008	16,364	7,092	31,467
	–	49,110	6,008	19,592	7,092	81,802

The liquidity risk of each Group entity is managed centrally by the Group Treasury function. The Group's cash requirement is monitored closely. All surplus cash is held centrally to offset against the Group's borrowings and reduce the interest payable. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements. The Group has a RCF with a syndicate of major banking corporations to manage longer term borrowing requirements.

Notes to the Group Financial Statements continued.

for the year ended 31 December 2022

32. Financial instruments – risk management (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains appropriate capital structure to support its business objectives, including any regulatory requirements, and maximise shareholder value. Capital includes share capital and other equity attributable to the equity holders of the parent.

In the medium to long term, the Group will strive to maintain a reasonable leverage (ie balance between debt and equity) to help achieve the Group's business objectives of growth (through acquisitions and organic growth) and meet its dividend policy. In the short term, the Group does not have a set leverage ratio to be achieved but the Directors monitor the ratio of net debt to operating profit to ensure that the debt funding is not excessively high.

The Group does not have a current ratio of Net Bank Debt to EBITDA (2021: nil) due to a Net Cash position of £40.1m (2021: Net Cash £48.5m) and operating profit before exceptional costs, amortisation and share-based payment charge of £36.9m (2021: £49.3m). The business is cash generative with a low capital expenditure requirement. The Group remains committed to its stated dividend policy of 30% of Group Underlying Operating Profit after interest and tax. The Board has reviewed the policy in line with the risks and capital management decisions facing the Group.

Credit risk

There are no significant concentrations of credit risk within the Group. The Group is exposed to a credit risk in respect of revenue transactions (ie turnover from customers). It is Group policy, implemented locally, to obtain appropriate details of new customers before entering into contracts. The majority of the Estate Agency customers use the Group's services as part of a house sale transaction and consequently the debt is paid from the proceeds realised from the sale of the house by the vendor's solicitor before the balance of funds is transferred to the vendor. This minimises the risk of the debt not being collected.

Risk of exposure to non-return of cash on deposit is managed by placing funds with lenders who form part of the Group's agreed banking facility syndicate, which comprises several leading UK banks.

The majority of the Surveying & Valuation customers and those of the asset management business are large financial institutions and as such the credit risk is not expected to be significant. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

Financial instruments are grouped on a subsidiary basis to apply the expected credit loss model.

The chosen method of recognising the expected credit loss across the Group is the simplified approach allowing a provision matrix to be used, which is based on the expected credit life of trade receivables, historic default rates and forward looking information. Trade receivable balances are written off when the probability of recovery is assessed as being remote.

Interest rate risk profile of financial assets and liabilities

LSL's treasury policy is described above. The disclosures below exclude short term receivables and payables which are primarily of a trading nature and expected to be settled within normal commercial terms.

The interest rate profile of the financial assets and liabilities of the Group as at 31 December 2022 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	Total £'000
<i>Floating rate</i>					
Cash and cash equivalents	40,109	–	–	–	40,109

This includes £3.4m of cash and cash equivalents held in assets held for sale.

Fair values of financial assets and financial liabilities

There are no differences between the carrying amounts and fair values of all the Group's financial instruments that are carried in the Financial Statements.

32. Financial instruments – risk management (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
2022				
Assets measured at fair value				
Financial assets	1,045	–	–	1,045
Liabilities measured at fair value				
Contingent consideration	2,311	–	–	2,311
Financial assets includes £0.2m of IFRS 16 subleases held in assets held for sale.				
2021	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	5,748	–	–	5,748
Liabilities measured at fair value				
Contingent consideration	3,008	–	–	3,008

The fair value of equity financial assets that are not traded in the open market is £1.0m (2021: £5.7m), these are valued using level 3 techniques in accordance with the fair value hierarchy and the Management Team use all relevant and up to date information (including cash flow forecasts and financial statements) to arrive at their judgement. Where appropriate a range of potential outcomes is considered in reaching a conclusion. If this was to drop by 10%, the implied valuation is likely to also drop by around 10%, £0.1m.

The contingent consideration relates to amounts payable in the future on acquisitions. The amounts payable are based on the amounts agreed in the contracts and based on the future profitability of each entity acquired. In valuing each provision, estimates have been made as to when the options are likely to be exercised and the future profitability of the entity at this date. Further details of these provisions are shown in note 24. Of the balance held at 31 December 2022, £2.3m (2021: £2.6m) is in relation to contingent consideration on the original purchase of RSC, the final consideration was agreed as at 31 December and was subsequently paid prior to the sale of RSC to Pivotal Growth in January 2023.

Notes to the Group Financial Statements continued.

for the year ended 31 December 2022

33. Related party transactions

As disclosed in note 19 LSL has one joint venture partner, Pivotal Growth (Pivotal).

Transactions with Pivotal Growth and its subsidiaries

	2022 £'000	2021 £'000
Gross commission received	3,833	–
Commissions paid to broker businesses	(3,421)	–
Revenue recognised	412	–
Creditor at 31 December	(3)	–

Transactions with TM Group and its subsidiaries

	2022 £'000	2021 £'000
Sales	–	653
Purchases	–	(1,181)
Creditor at 31 December	–	–

34. Events after the reporting period

On 13 January 2023, the Group announced the sale of Group First Limited (Group First) and RSC New Homes Limited (RSC) to Pivotal Growth Limited (Pivotal Growth), the Group's joint venture with Pollen Street Capital. The consideration payable will be 7x the combined Group First and RSC EBITDA in calendar year 2024, subject to working capital adjustments, capped at a maximum of £20m. As disclosed in note 24 the contingent consideration relating to the Group's original acquisition of RSC of £2.3m was settled prior to the disposal.

On 26 January 2023, the Group announced the sale of Marsh & Parsons (Holdings) Limited and its subsidiary Marsh & Parsons Limited, together "Marsh & Parsons" to a subsidiary of Dexters London Limited for a consideration of £29m payable on completion, subject to working capital adjustments.

In February 2023, the Group amended and restated its banking facility which runs to May 2026 with a new limit of £60m; this replaced the previous RCF which had a maturity date of May 2024 and credit limit of £90m.

On 30 March 2023 the Group sold its 15.37% shareholding in VEM to Connells for a consideration of £0.2m, at 31 December 2022 the Group held its investment in VEM at a fair value of £0.2m.

On 11 April 2023, the Group announced the disposal of two further subsidiaries, Embrace Financial Services (EFS) and First2Protect (F2P) to Pivotal Growth. The consideration payable for EFS will be 7x the EBITDA in calendar year 2024, subject to working capital adjustments, capped at a maximum of £10m and payable in H1 2025. The consideration for F2P is £7.8m, which is 7x 2022 EBITDA and is payable on completion.

In April 2023, the Group invested an additional £0.2m into Pivotal Growth to continue to support its buy and build growth strategy.

The accounting for all disposals noted above will be included in the 2023 interim Financial Statements.

35. Alternative performance measures

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

The Group reports the following APMs:

a) Group and Divisional Underlying Operating Profit

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

35. Alternative performance measures (continued)

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

b) Group and Divisional Underlying Operating margin

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

c) Adjusted Basic Earnings per Share, adjusted diluted earnings per share and adjusted profit after tax

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

The closest equivalent IFRS measures are basic and diluted earnings per share. Refer to note 11 for a reconciliation between earnings/(loss) per share and adjusted earnings per share.

d) Adjusted operating expenditure

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

	2022 £'000	2021 £'000
Total operating expenditure	(378,447)	(254,248)
Add back:		
Other operating income	(1,334)	(937)
Gain on sale of property, plant and equipment and right-of-use assets	(8)	(1,061)
Share of post-tax (loss)/profit from joint ventures and associates	494	(668)
Share-based payments	1,977	1,916
Amortisation of intangible assets	4,112	4,534
Exceptional gains	(694)	(31,050)
Exceptional costs	88,898	2,045
Contingent consideration	(696)	(710)
Adjusted operating expenditure	(285,698)	(280,179)

e) Net cash/debt

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

	2022 £'000	2021 £'000
Net Bank Cash/Debt is defined as follows:		
Interest-bearing loans and borrowings (including loan notes, overdraft, IFRS 16 Leases, contingent and deferred consideration)		
– Current	6,949	8,523
– Non-current	6,277	22,602
	13,226	31,125
Less: cash and short term deposits	(36,755)	(48,464)
Less: IFRS 16 lessee financial liabilities	(10,915)	(28,117)
Less: deferred and contingent consideration	(2,311)	(3,008)
Less: cash included in held for sale (note 30)	(3,355)	–
Net Bank Cash/Debt	(40,109)	(48,464)

Notes to the Group Financial Statements continued.

for the year ended 31 December 2022

35. Alternative performance measures (continued)

f) Adjusted cash flow from operations

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

	2022 £'000	2021 £'000
Cash generated from operations	35,170	44,518
Payment of principal portion of lease liabilities	(7,170)	(8,922)
PI provision utilisation	762	2,070
Adjusted cash flow from operations	28,762	37,666

g) Cash flow conversion rate

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

Adjusted cash flow from operations	28,762	37,666
Group Underlying Operating Profit	36,888	49,319
Cash flow conversion rate	78.0%	76.4%

36. Subsidiary and joint venture companies

As at 31 December 2022, the Group owned directly or indirectly the following issued and fully paid ordinary and preference share capital of its subsidiary undertakings, all of which are incorporated in Great Britain, with the exception of Albany Insurance Company (Guernsey) Limited, which is incorporated in Guernsey, and whose operations are conducted mainly in the UK. The results for all of the subsidiaries have been consolidated within these Financial Statements:

Name of subsidiary company	Registered office address	LSL holding	LSL shareholder	Proportion of nominal value of shares held	Nature of business
Lending Solutions Holdings Limited	1	Direct	LSL Property Services plc	100%	Holding Company
Lending Solutions Limited	1	Indirect	Lending Solutions Holdings Limited	100%	Non Trading
Financial Services					
Direct Life Quote Holdings Limited	2	Direct	LSL Property Services plc	89.5%	Holding Company
Direct Life and Pension Services Limited	2	Indirect	Direct Life Quote Holdings Ltd	100%	Financial Services
Direct Life Limited	2	Indirect	Direct Life and Pension Services Limited	100%	Non Trading
LifeQuote Limited	2	Indirect	Direct Life and Pension Services Limited	100%	Non Trading
Embrace Financial Services Ltd ⁵	2	Direct	LSL Property Services plc	100%	Financial Services
First2Protect Limited ⁴	2	Indirect	your-move.co.uk Limited	100%	Financial Services
Group First Ltd ⁷	2	Indirect	your-move.co.uk Limited	100%	Holding Company
Insurance First Brokers Ltd ²	2	Indirect	Group First Ltd	100%	Financial Services
Mortgages First Ltd ²	2	Indirect	Group First Ltd	100%	Financial Services
Reeds Rains Financial Services Limited	2	Indirect	Reeds Rains Limited	100%	Financial Services
RSC New Homes Limited ²	2	Indirect	your-move.co.uk Limited	70% ¹	Financial Services and Holding Company
RSC Protect Limited ²	2	Indirect	RSC New Homes Limited	100%	Non Trading
Advance Mortgage Funding Limited	1	Direct	LSL Property Services plc	100%	Financial Services and Holding Company
First Complete Limited	1	Indirect	Lending Solutions Holdings Limited	100%	Financial Services and Holding Company
Linear Financial Services Limited	2	Indirect	Linear Financial Services Holdings Limited	100%	Non Trading

36. Subsidiary and joint venture companies (continued)

Name of subsidiary company	Registered office address	LSL holding	LSL shareholder	Proportion of nominal value of shares held	Nature of business
Linear Financial Services Holdings Limited	2	Indirect	First Complete Limited	100%	Holding Company
Linear Mortgage Network Holdings Limited	2	Indirect	First Complete Limited	100%	Holding Company
Linear Mortgage Network Limited	2	Indirect	Linear Mortgage Network Holdings Limited	100%	Financial Services
Mortgage Gym Solutions Ltd	2	Direct	LSL Property Services plc	100%	Business and domestic software development
Personal Touch Administration Services Limited	2	Indirect	Personal Touch Financial Services Limited	100%	Financial Services
Personal Touch Financial Services Limited	2	Direct	LSL Property Services plc	100%	Financial Services
Qualis Wealth Limited	2	Direct	LSL Property Services plc	100%	Financial Services
Surveying & Valuation					
Albany Insurance Company (Guernsey) Limited	7	Direct	LSL Property Services plc	100%	Captive Insurer
e.surv Limited	5	Direct	LSL Property Services plc	100%	Chartered Surveyors
Estate Agency – Asset Management					
LSL Corporate Client Services Limited	1	Direct	LSL Property Services plc	100%	Asset Management
St Trinity Limited	1	Direct	LSL Property Services plc	100%	Non Trading
Templeton LPA Limited	1	Indirect	First Complete Limited	100%	Asset Management
Estate Agency – Residential Sales and Lettings					
Airport Lettings Stansted Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Appleton Estates and Property Management Limited	2	Indirect	Davis Tate Ltd	100%	Non Trading
Bawtry Lettings and Sales Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Beldhamland Limited ³	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Brown North East Lettings Ltd	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Charterhouse Management (UK) Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
David Frost Estate Agents Limited	2	Indirect	Vitalhandy Enterprises Limited	100%	Residential Sales and Lettings
Davis Tate Ltd	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
EA Student Lettings Ltd	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Eastside Property Developments Ltd	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Elliott & Freeth Limited	2	Indirect	Davis Tate Ltd	100%	Non Trading
Fourlet (York) Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Front Door Property Management Ltd	2	Indirect	ICIEA Limited	100%	Non Trading
GFEA Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
Guardian Property Lettings Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Hawes & Co Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
Hawes & Co (Thames Ditton) Limited	2	Indirect	Hawes & Co Limited	100%	Non Trading
Headway Property Management Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading

Notes to the Group Financial Statements *continued.*
for the year ended 31 December 2022

36. Subsidiary and joint venture companies (continued)

Name of subsidiary company	Registered office address	LSL holding	LSL shareholder	Proportion of nominal value of shares held	Nature of business
Holloways Residential Ltd	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Home and Student Link Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Homefast Property Services Limited	2	Indirect	Lending Solutions Holdings Limited	77.5%	Conveyancing Packaging
Hydegate Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
ICIEA Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
Inter County Lettings Limited	2	Indirect	ICIEA Limited	100%	Non Trading
IQ Property (Hull) Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
JNP Estate Agents Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
JNP Estate Agents (Princes Risborough) Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
JNP (Residential Lettings) Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
JNP (Surveyors) Limited	2	Indirect	LSLi Limited	100%	Non Trading
Kent Property Solutions Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
LSL Land & New Homes Ltd	2	Indirect	your-move.co.uk Limited	100%	Residential Sales
Lauristons Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
LetCo Group Limited	2	Indirect	your-move.co.uk Limited	100%	Holding Company
LetCo Limited	2	Indirect	LetCo Group Limited	100%	Non Trading
Lets Move Property Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Longshoot Properties Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
LSLi Limited	1	Direct	LSL Property Services plc	100%	Holding Company
Marsh & Parsons Limited ³	3	Indirect	Marsh & Parsons (Holdings) Limited	100%	Residential Sales, Lettings and Holding Company
Marsh & Parsons (Holdings) Limited ³	2	Direct	LSL Property Services plc	100%	Holding Company
Marshcroft Properties Limited ³	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
New Daffodil Limited	2	Direct	LSL Property Services plc	100%	Non Trading
New Let Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Oakley Lettings Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Paul Graham Lettings & Management Ltd	2	Indirect	GFEA Limited	100%	Non Trading
Philip Green Lettings Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
PHP Lettings Scotland Limited	4	Indirect	your-move.co.uk Limited	100%	Non Trading
Prestons Lettings Ltd	2	Indirect	Reeds Rains Limited	100%	Non Trading
Pygott & Crone Lincoln Lettings Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Reeds Rains Limited	2	Direct	LSL Property Services plc	100%	Residential Sales, Lettings, Financial Services and Holding Company
Reeds Rains Cleckheaton Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Simply Let Ltd.	4	Indirect	your-move.co.uk Limited	100%	Non Trading
Thomas Morris Limited	1	Indirect	LSLi Limited	100%	Residential Sales and Lettings
Top-Let Limited	2	Indirect	LetCo Group Limited	100%	Non Trading
Vanstons (Barnes) Limited ³	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vanstons Commercial Limited ³	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vanstons Lettings Limited ³	3	Indirect	Marsh & Parsons Limited	100%	Non Trading

35. Subsidiary and joint venture companies (continued)

Name of subsidiary company	Registered office address	LSL holding	LSL shareholder	Proportion of nominal value of shares held	Nature of business
Vanstons Limited ³	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vitalhandy Enterprises Limited	2	Indirect	LSLi Limited	100%	Holding Company
Warners Letting Agency Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Woollens of Wimbledon Limited	2	Indirect	Lauristons Limited	100%	Non Trading
Yates Lettings Limited	2	Indirect	Davis Tate Ltd	100%	Non Trading
your-move.co.uk Limited	1	Indirect	Lending Solutions Holdings Limited	100%	Residential Sales, Lettings, Financial Services and Holding Company
Lawlors Property Services Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Joint Ventures and Associates					
Mottram TopCo Limited	8	Direct	LSL Property Services plc	47.7%	Joint Venture – Holding Company
Mottram MidCo Limited	8	Indirect	Mottram TopCo Limited	100%	Joint Venture – Holding Company
Pivotal Growth Limited	8	Indirect	Mottram MidCo Limited	91.4% (100% voting)	Joint Venture – Financial Services
Mortgage Gym Limited (in administration)	6	Direct	LSL Property Services plc	45.2%	Associate – Financial Services

Notes:

- On 12 January 2023 your-move.co.uk Limited's shareholding in RSC New Homes Limited increased to 100%.
- On 12 January 2023 your-move.co.uk Limited sold to Pivotal Growth Limited:
 - Group First Ltd and its subsidiaries Insurance First Brokers Ltd and Mortgages First Ltd; and
 - RSC New Homes Limited and its subsidiary RSC Protect Limited.
- On 26 January 2023 LSL's holding in Marsh & Parsons (Holdings) Limited and its subsidiaries Marsh & Parsons Limited, Beldhamland Limited, Marshcroft Properties Limited, Vanstons (Barnes) Limited, Vanstons Commercial Limited, Vanstons Lettings Limited and Vanstons Limited was sold to a subsidiary of Dexters London Limited.
- On 11 April 2023 your-move.co.uk Limited sold First2Protect Limited to Pivotal Growth Limited.
- On 11 April 2023 LSL Property Services plc sold Embrace Financial Services Ltd to Pivotal Growth Limited.

Audit exemptions under section 479a of the Companies Act

The following twelve Groups subsidiaries are exempt from audit of individual accounts under section 479a of the Companies Act 2006:

- Lending Solutions Holdings Limited (05095079)
- Reeds Rains Financial Services Limited (08130339)
- New Daffodil Limited (02045933)
- Templeton LPA Limited (06507759)
- St Trinity Limited (07092652)
- Mortgage Gym Solutions Ltd (12460735)
- LSL Land & New Homes Ltd (09018581)
- LSL Corporate Client Services Limited (07299192)
- Linear Mortgage Network Limited (05198588)
- Personal Touch Administration Services Limited (03456365)
- Qualis Wealth Limited (11784115)
- Direct Life Quote Holdings Limited (10283300)

Notes to the Group Financial Statements continued.

for the year ended 31 December 2022

36. Subsidiary and joint venture companies (continued)

Registered office addresses:

1. Newcastle House, Albany Court, Newcastle upon Tyne, NE4 7YB
2. Howard House, 3 St Mary's Court, Blossom Street, York, YO24 1AH
3. 80 Hammersmith Road, London, W14 8UD
4. 25 North Bridge Street, Bathgate, West Lothian, EH48 4PJ
5. Unit 1, Orion Park, Kettering, Northamptonshire, NN15 6PP
6. C/O Restructuring Advisory LLP, Central Square, 5th Floor, 29 Wellington Street, Leeds, LS1 4DL
7. The Albany, South Esplanade, St Peters Port, Guernsey, GY1 4NF
8. 11-12 Hanover Square, London, W1S 1JJ

Parent Company Balance Sheet

as at 31 December 2022

Company No. 05114014

	Note	2022 £'000	2021 (Restated)* £'000
Non-current assets			
Other intangible assets	3	79	79
Property, plant and equipment	4	1,945	8
Investment in subsidiaries	5	116,666	179,718
Financial assets	6	115	4,610
Investment in joint ventures and associates	7	5,068	2,477
Trade and other receivables	8	18,079	21,336
Deferred tax asset	11	1,019	578
		142,971	208,806
Current assets			
Trade and other receivables	8	20,376	15,102
		20,376	15,102
Assets held for sale	18	28,850	—
		49,226	15,102
Total assets		192,197	223,908
Current liabilities			
Trade and other payables	9	(85,536)	(71,754)
Financial liabilities	10	(4,826)	(5,024)
		(90,362)	(76,778)
Non-current liabilities			
Financial liabilities	10	(31)	(317)
Total liabilities		(90,393)	(77,095)
Net assets		101,804	146,813
Equity			
Share capital	12	210	210
Share premium account	13	5,629	5,629
Share-based payment reserve	13	5,331	5,263
Shares held by employee benefit trust	13	(5,457)	(3,063)
Treasury shares	13	(3,983)	—
Fair value reserve	13	(20,190)	(15,695)
Retained earnings	13	120,264	154,469
Total equity		101,804	146,813

* The 2021 balance sheet has been restated to reclassify intercompany receivables from current to non-current. See note 1 for further details.

As permitted by Section 408 (3) of the Companies Act 2006, no profit and loss account of the Company is presented. The loss after tax for the financial year of the Company was £22.4m (2021: £41.0m profit after tax). The notes on pages 166 to 176 form part of these Financial Statements.

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

David Stewart
Group Chief Executive Officer
12 April 2023

Adam Castleton
Group Chief Financial Officer
12 April 2023

Parent Company Statement of Cash Flows

for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Parent operating loss/(profit) before tax		(22,975)	42,641
Adjustments for:			
Exceptional items		(45)	(23,021)
Impairment of investments	5	34,652	–
Impairment of receivables	8, 18	5,684	–
Depreciation of tangible assets	4	1,175	4
Share-based payments		1,527	1,102
Loss from joint ventures	7	1,361	–
Finance income		(80)	(14)
Finance costs		1,261	1,098
Dividend income		(27,000)	(29,000)
Operating cash flows before movements in working capital		(4,440)	(7,190)
Movements in working capital			
(Increase)/decrease in trade and other receivables		(6,430)	18,213
Increase/(decrease) in trade and other payables		13,465	(41,537)
		7,035	(23,324)
Cash generated from operations		2,595	(30,514)
Interest paid		(1,181)	(1,098)
Income taxes paid		(1,271)	(8,249)
Net cash generated from operating activities		143	(39,861)
Cash flows used in investing activities			
Investment in financial assets	6	–	(14)
Investment in joint ventures		(3,952)	(2,477)
Proceeds from sale of joint venture		–	41,349
Acquisition of subsidiary		–	(1,800)
Dividends received from subsidiaries		27,000	29,000
Purchases of property, plant and equipment		(3,112)	(51)
Net cash generated on investing activities		19,936	66,007
Cash flows used in financing activities			
(Repayment)/drawdown of loans		–	(13,000)
Repayment of overdraft		(122)	(8,980)
Purchase of LSL shares by the employee benefit trust		(5,026)	–
Repurchase of treasury shares		(3,983)	–
Proceeds from exercise of share options		825	–
Payment of lease liabilities		–	–
Dividends paid to equity holders of the parent		(11,773)	(4,166)
Net cash (expended) in financing activities		(20,079)	(26,146)
Net increase/(decrease) in cash and cash equivalents		–	–
Cash and cash equivalents at the end of the year		–	–

The notes on pages 166 to 176 form part of these Financial Statements.

Parent Company Statement of Changes in Equity

for the year ended 31 December 2022

	Issued capital £'000	Share premium £'000	Share-based payment reserve £'000	Shares held by EBT £'000	Treasury shares £'000	Fair value reserve £'000	Retained earnings £'000	Total £'000
As at 1 January 2022	210	5,629	5,263	(3,063)	—	(15,695)	154,469	146,813
Other comprehensive income for the year	—	—	—	—	—	—	—	—
Profit for the year	—	—	—	—	—	—	(22,431)	(22,431)
Revaluation of financial assets	—	—	—	—	—	(4,495)	—	(4,495)
Total comprehensive income for the year	—	—	—	—	—	(4,495)	(22,431)	(26,926)
Shares repurchased into treasury	—	—	—	—	(3,983)	—	—	(3,983)
Shares repurchased into EBT	—	—	—	(5,026)	—	—	—	(5,026)
Exercise of options	—	—	(1,806)	2,632	—	—	(1)	825
Share-based payment transactions	—	—	1,977	—	—	—	—	1,977
Tax on share-based payments	—	—	(103)	—	—	—	—	(103)
Dividends paid	—	—	—	—	—	—	(11,773)	(11,773)
As at 31 December 2022	210	5,629	5,331	(5,457)	(3,983)	(20,190)	120,264	101,804

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

The notes on pages 166 to 176 form part of these Financial Statements.

	Issued capital £'000	Share premium £'000	Share-based payment reserve £'000	Shares held by EBT £'000	Fair value reserve £'000	Retained earnings £'000	Total £'000
As at 1 January 2021	210	5,629	3,942	(5,012)	(13,695)	117,119	108,193
Other comprehensive income for the year	—	—	—	—	—	—	—
Profit for the year	—	—	—	—	—	41,028	41,028
Revaluation of financial assets	—	—	—	—	(2,000)	—	(2,000)
Total comprehensive income for the year	—	—	—	—	(2,000)	41,028	39,028
Exercise of options	—	—	(990)	1,949	—	488	1,447
Share-based payment transactions	—	—	1,916	—	—	—	1,916
Tax on share-based payments	—	—	395	—	—	—	395
Dividends paid	—	—	—	—	—	(4,166)	(4,166)
As at 31 December 2021	210	5,629	5,263	(3,063)	(15,695)	154,469	146,813

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

The notes on pages 166 to 176 form part of these Financial Statements.

Notes to the Parent Company Financial Statements

for the year ended 31 December 2022

1. Accounting policies

Basis of preparation

The Company Financial Statements have been prepared in accordance with UK adopted IAS. The Company Financial Statements have been prepared on a going concern basis and on a historical cost basis, except for, certain debt and financial assets and liabilities that have been measured at fair value.

The accounting policies which follow set out those significant policies which apply in preparing the Financial Statements for the year ended 31 December 2022. The Company's Financial Statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

In preparing the Parent Company Financial Statements management has considered the impact of climate change, taking into account the relevant disclosures in the Strategic Report. The impact of climate-related risks on the Group Financial Statements have been disclosed in the Group basis of preparation note. The extent to which the Group climate-related risks affect the Parent Company accounts is focused on how medium to long term risks may impact our future revenue profile, which could further impact the carrying value of investments. The potential impact of climate-related risks on the Parent Company's impairment assessment is considered sufficiently remote at this point in time and therefore no sensitivity analysis has been performed.

Summary of significant accounting policies

The accounting policies adopted in the preparation of the Company Financial Statements are consistent with those followed in the preparation of the Company Annual Financial Statements for the year ended 31 December 2021.

Judgements and estimates

The preparation of financial information in conformity with UK adopted IAS, requires the Management Team to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

• Judgements

There are no areas of judgement that have a significant effect on the amounts recognised in the Financial Statements of the Company.

• Estimates

The key assumption affected by future uncertainty that has significant risks of causing material adjustment to the carrying value of assets and liabilities within the next financial year is:

Valuation of financial assets

The Company owns non-controlling interests in a number of unlisted entities. The Company uses valuation techniques to measure fair value of financial assets, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value of equity financial assets that are not traded in the open market are valued using the best information available in the circumstances, including cash flow forecasts and financial statements, to arrive at the fair value. Where appropriate a range of potential outcomes is considered in reaching a conclusion. Further details of the methodology used are disclosed in note 18 to the Group Financial Statements.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. 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;

1. Accounting policies (continued)

- 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 Group to make a single net payment. Income tax is charged or credited directly to other comprehensive income or equity, if it relates to items that are charged or credited in the current or prior periods to other comprehensive income or equity respectively. Otherwise income tax is recognised in the income statement.

Pensions

The Company operates a defined contribution pension scheme for employees of the Company. The assets of the scheme are invested and managed independently of the finances of the Company. The pension cost charge represents contributions payable in the year.

Share-based payment transactions

The fair value of employee share option plans and share award scheme, which are all equity-settled, is calculated at the grant date using the Black Scholes model. The resulting cost is charged to the Company income statement over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting.

Treasury shares

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

Shares held by EBT

The Group has an employee share scheme (ESOT) for the granting of LSL shares to Executive Directors and selected senior employees and an employee share incentive plan (Trust). Shares in LSL held by the ESOT and the Trust are treated as treasury shares and presented in the balance sheet as a deduction from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. The finance costs and administration costs relating to the ESOT and the Trust are charged to the income statement. Dividends earned on shares held in the ESOT and the Trust have been waived.

Investments in subsidiaries

Investments are shown at cost less provision for impairment. The cost of an investment is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised through profit and loss.

Investments are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired.

Investments in joint ventures and associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Notes to the Parent Company Financial Statements continued.

for the year ended 31 December 2022

1. Accounting policies (continued)

Investments in joint ventures and associates are accounted for at cost less any provision for impairment. Investments are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired. The cost of an investment is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in profit and loss.

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. An asset's recoverable amount is the higher of its fair value less costs to sell (FVLCTS) and value-in-use (VIU). Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing an asset's VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment is depreciated on a straight-line basis to its residual value over its anticipated useful economic life:

Office equipment, fixtures and fittings	– over three to seven years
Computer equipment	– over three to four years
Leasehold improvements	– over the shorter of the lease term or ten years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised. These assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through the income statement, directly attributable transaction costs. Financial assets are derecognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the Company commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place.

The subsequent measurement of financial assets depends on their classification.

The Company's accounting policy for each category of financial instruments is as follows:

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IFRS 9 Financial Instruments and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company's accounting policy for each category of financial instruments is as follows:

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs. Finance costs comprise interest payable on borrowings calculated at the effective interest rate method and recognised on an accruals basis. Borrowing costs are recognised as an expense when incurred.

1. Accounting policies (continued)

Trade receivables

Trade receivables do not carry any interest and are stated at their original invoiced value as reduced by appropriate allowances for estimated irrecoverable amounts. The expected credit loss model under IFRS 9 is applied to trade and other receivables.

Intercompany receivables

Intercompany receivables are classified as current where the balance is expected to be repaid in the next 12 months. The Company recognises a loss allowance based on the lifetime expected credit loss for intercompany receivables at each reporting date.

Restatement of December 2021 Parent Company Balance Sheet

Following a review of the Company's historic practice and future plans not to call on all intercompany loans in the short term, £21.3m of current intercompany receivables at 31 December 2021 have been classified to non-current in line with IAS 1. This reclassification has no impact on net assets, result for the year or cash flows. The impact on the 31 December 2020 balance sheet would be to reclassify £17.1m of current intercompany receivables to non-current intercompany receivables.

2. Cash flow from financing activities

	At 1 January 2022 £'000	Cash flow £'000	Acquisitions £'000	Foreign exchange £'000	Unwind of discount £'000	At 31 December 2022 £'000
Short term liabilities	4,948	(122)	—	—	—	4,826
Long term liabilities	—	—	—	—	—	—
	4,948	(122)	—	—	—	4,826

Short term liabilities

At 31 December 2022 short term liabilities were made up of the bank overdraft of £4.8m (2021: £4.9m) and unsecured loan notes £nil (2021: £nil) (see note 10).

Long term liabilities

At 31 December 2022 the long term liabilities were made up of the bank loan of £nil (2021: £nil) (see note 10).

3. Intangible assets

	Software £'000	Total £'000
Cost		
At 1 January 2022	79	79
Additions	—	—
As at 31 December 2022	79	79
Amortisation		
At 1 January 2022	—	—
Amortisation	—	—
As at 31 December 2022	—	—
Net book value		
As at 31 December 2022	79	79
As at 31 December 2021	79	79

Notes to the Parent Company Financial Statements *continued.*
for the year ended 31 December 2022

4. Property, plant and equipment

	Land and buildings £'000	Leasehold improvements £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost				
At 1 January 2021	90	74	120	284
Additions	–	–	–	–
At 31 December 2021	90	74	120	284
Additions	–	–	3,112	3,112
At 31 December 2022	90	74	3,232	3,396
Depreciation				
At 1 January 2021	90	67	115	272
Charge for the year	–	–	4	4
At 31 December 2021	90	67	119	276
Charge for the year	–	–	1,175	1,175
At 31 December 2022	90	67	1,294	1,451
Net book value				
At 31 December 2022	–	7	1,938	1,945
At 31 December 2021	–	7	1	8
Owned assets	–	7	1,938	1,945
Right-of-use assets	–	–	–	–
	–	7	1,938	1,945

5. Investment in subsidiaries

Details of the subsidiaries held directly and indirectly by the Company are shown in note 36 to the Group Financial Statements.

	2022 £'000	2021 £'000
At 1 January	179,718	187,192
Additions	–	2,379
Adjustments for share-based payment	450	847
Impairment in cost of investments	(34,652)	(10,700)
Reclassified as held for sale (note 18)	(28,850)	–
At 31 December	116,666	179,718

In 2022 there was an increase of £0.5m (2021: increase of £0.8m) on investment in subsidiaries for share-based payments, representing the financial effects of awards by the Company of options over its equity shares to employees of subsidiary undertakings. The total contribution to date is £9.0m.

In 2022 the Company recognised a total impairment of £34.7m (2021: £10.7m) to investments in subsidiaries, disaggregated as follows: Albany £3.0m (2021: £10.7m), DLPS £2.0m, Marsh & Parsons (Holdings) Limited £17.0m and Reeds Rains £12.7m. The impairments are a result of the Group's assessment of recoverability of each of the investments.

The charge was calculated based on the recoverable amounts of each of the investments, the recoverable amounts are based on the higher of investments value-in-use (VIU) or fair value less cost to sell (FVCLTS), investments in subsidiaries held for sale (as per note 30 to the Group Financial Statements) have been written down to their FVCLTS. The fair value of Marsh & Parsons (Holdings) Limited has been determined using the arm's length sales price, which is the equivalent of the consideration received/receivable less transaction costs. This is a level 3 measurement per the fair value hierarchy and is based on unobservable inputs. Where the recoverable amount has been assessed based on a VIU calculation, a discount rate of 14.2% (2021: 12.2%) and terminal growth rate of 2.0% (2021: 4.0%) has been applied.

The carrying value of investments which have been impaired during the year at 31 December 2022 are as follows, Albany £4.6m, DLPS £0.4m, Marsh & Parsons (Holdings) Limited £28.9m and Reeds Rains £16.4m.

5. Investment in subsidiaries (continued)

Sensitivity to change in assumptions

Sensitivity analysis has been performed for those investments which have recorded an impairment charge during the period, to assess the extent to which reasonably possible changes in key assumptions would impact the impairment charge. Sensitivity analysis has only been performed for investments where the recoverable amount has been calculated by applying the VIU methodology, being Albany, DLPS and Reeds Rains. If the post-tax discount rate was to increase by 1.0% the impairment charge would increase to £3.3m in Albany, £2.1m in DLPS and £14.2m in Reeds Rains. Similarly, if the terminal growth rate was to reduce by 0.5% this would result in an increase in the impairment charge in Albany and Reeds Rains to £3.2m and £13.3m respectively, however the charge in DLPS would remain the same. A reduction of 10% in the future cash flow forecasts used to calculate the VIU would increase the impairment charge to £3.5m in Albany, £2.1m in DLPS and £14.6m in Reeds Rains.

6. Financial assets

	2022 £'000	2021 £'000
<i>Investment in equity instruments – at fair value</i>		
Unquoted shares at fair value	115	4,610
	115	4,610
At 1 January	4,610	8,846
Additions	–	14
Disposals	–	(2,250)
Revaluation	(4,495)	(2,000)
At 31 December	115	4,610

Investment in equity instruments

The financial assets include unlisted equity instruments which are carried at fair value. Fair value is judgemental given the assumptions required and have been valued using a level 3 valuation technique (see note 32 to the Group Financial Statements).

Yopa Property Limited

The carrying value of the Group's investment in Yopa at 31 December 2022 has been assessed as £nil (2021: £4.5m). In determining the carrying value the Group considered both the historic and current trading performance of Yopa, which continued to be loss making and the general market share decline of hybrid estate agencies. In January 2023, the Group agreed to sell its shares in Yopa for £nil consideration based on third party valuations provided to the existing shareholders.

7. Investment in joint ventures and associates

	2022 £'000	2021 £'000
At cost		
At 1 January	2,477	7,235
Equity investment in Pivotal Growth	3,952	2,477
Disposal of LMS and TMG	–	(7,235)
Equity accounted loss	(1,361)	–
At 31 December	5,068	2,477

Claims indemnity provision and contingency

In May 2021, the Company sold its 49.6% interest in LMS. Included in the sale agreement of LMS was a claims indemnity of £2.0m, for which the Company has provided £0.6m, which it considers to be the most likely outcome. Further cases exist and are considered possible, not probable, therefore no further provision has been made for these cases in the financial statements. Should these claims succeed the estimated further cost would be £1.4m.

Pivotal Growth

A further £4.0m equity investment in Pivotal was made throughout 2022.

Notes to the Parent Company Financial Statements *continued.*
for the year ended 31 December 2022

8. Trade and other receivables

	2022 £'000	2021 (Restated) £'000
Non-current		
Amounts owed by Group undertakings	18,079	21,336
	18,079	21,336
Current		
Group relief receivable	15,100	13,829
Prepayments	2,392	793
Other taxes and social security	151	117
Amounts owed by Group undertakings	2,733	363
	20,376	15,102

The expected credit loss relating to intercompany receivables is £5.7m at 31 December 2022 (31 December 2021: £0.0m) and non-current intercompany receivables are presented net of this provision. No allowance for expected credit losses is deemed necessary in respect of current intercompany receivables.

9. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	525	327
Accruals	1,968	3,299
Amounts owed to Group undertakings	83,043	68,128
	85,536	71,754

10. Financial liabilities

	2022 £'000	2021 £'000
Current liabilities		
Contingent consideration	–	76
IFRS 16 lessee financial liabilities	–	–
Bank overdraft	4,826	4,948
	4,826	5,024
Non-current liabilities		
Contingent consideration	31	317
Bank loans – RCF	–	–
	31	317

Bank loans – RCF and overdraft

The Company's bank loan totals £nil (2021: £nil) and the Company's overdraft totals £4.8m (2021: £4.9m).

In accordance with the terms at 31 December 2022, the utilisation of the RCF may vary each month as long as this does not exceed the maximum £90.0m facility (2021: £90.0m). The Group's overdraft is also secured on the same facility, and the combined overdraft and RCF cannot exceed £90.0m (2021: £90.0m). The banking facility is repayable when funds permit on or by May 2024.

In February 2023, LSL amended and restated the RCF facility, the renewed facility now runs to May 2026 with a new limit of £60.0m. The interest rate applicable to the facility signed in February 2023 is SONIA plus a margin rate, the margin rate is linked to the leverage ratio of the Group and is reviewed at six-monthly intervals.

The bank loan totalling £nil (2021: £nil) is secured via cross guarantees issued from the following businesses: LSL Property Services plc, your-move.co.uk Limited, Reeds Rains Limited, e.surv Limited, Lending Solutions Holdings Limited, First Complete Limited, New Daffodil Limited, St Trinity Limited, LSL Corporate Client Services Limited, Advance Mortgage Funding Limited, LSLi Limited, Davis Tate Limited, Lauristons Limited, David Frosts Estate Agents Limited, ICIEA Limited, GFEA Limited, JNP Estate Agents Limited, Vitalhandy Enterprises Limited, Personal Touch Financial Services Limited, Personal Touch Administration Services Limited and Embrace Financial Services Limited.

11. Deferred tax

	2022 £'000	2021 £'000
Deferred tax asset		
Deferred tax asset at 1 January	578	122
Deferred tax credit/(charge) in profit and loss account for the year	338	180
Deferred tax credit/(charge) to other comprehensive income	103	276
Deferred tax asset at 31 December	1,019	578

At December 2022, a deferred tax asset is recognised in relation to share-based payments of £0.9m (2021: £0.6m) and accelerated capital allowances of £0.1m (2021: £nil). No deferred tax liability is recognised in respect of equity financial assets.

12. Called up share capital

	2022		2021	
	Shares	£'000	Shares	£'000
Authorised:				
Ordinary shares of 0.2 pence each	500,000,000	1,000	500,000,000	1,000
Issued and fully paid:				
At 1 January	105,158,950	210	105,158,950	210
Issued in the year	–	–	–	–
At 31 December	105,158,950	210	105,158,950	210

13. Reserves

Share premium

The amount subscribed for share capital in excess of nominal value less any costs attributable to the issue of new shares.

Share-based payment reserve

This represents the amount provided in the year in respect of share awards. The Company has operated long term incentive plans (including JSOP and CSOP) and a number of SAYE schemes for the employees in the Company and the Group. See note 14 to the Group Financial Statements for details of the LTIP, JSOP, CSOP, SIP/BAYE and the SAYE schemes. The effect of share-based payment transactions on the Company's profit for the period was a charge of £1.5m (2021: charge of £1.1m).

Shares held by EBT

Shares held by EBT represent the cost of LSL shares purchased in the market and held by the Trust to satisfy future exercise of options under the Group's employee share options schemes. At 31 December 2022 the Trust held 1,063,097 (2021: 1,042,276) LSL shares at an average cost of £3.72 (2021: £2.95). The market value of the LSL shares at 31 December 2022 was £4.1m (2021: £3.1m). The nominal value of each share is 0.2 pence.

Treasury shares

Treasury shares represent the cost of LSL shares purchased in the market as a result of a share buy back scheme which commenced in April 2022 and ceased in September 2022. At 31 December 2022, LSL had repurchased 1,179,439 (2021: nil) LSL shares at an average cost of £3.38 (2021: £nil). The market value of the LSL shares at 31 December 2022 was £4.1m (2021: £nil). The nominal value of each share is 0.2 pence.

Fair value reserve

The fair value reserve is used to record the changes in fair value of equity financial assets.

14. Company loss for the financial year after tax

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The loss after tax for the year was £22.4m (2021: profit of £41.0m).

Remuneration paid to Directors of the Company is disclosed in note 14 to the Group Financial Statements.

The Company paid £0.5m (2021: £0.4m) to its auditors in respect of the audit of the Financial Statements of the Company.

Fees paid to the external auditors and their associates for non-audit services to the Company itself are not disclosed in the individual accounts of the Company because group financial statements are prepared which are required to disclose such fees on a consolidated basis. These are disclosed in note 10 to the Group Financial Statements.

Notes to the Parent Company Financial Statements continued.

for the year ended 31 December 2022

15. Pensions costs and commitments

Total contributions to the defined contribution schemes in the year were £186,986 (2021: £53,778). The amount outstanding in respect of pensions as at 31 December 2022 was £nil (2021: £nil).

The Parent Company headcount at 31 December 2022 was nil (2021: nil). This is due to employment contracts being drawn up within the subsidiaries and not within the Parent Company itself.

16. Related party transactions

During the year the transactions entered into by the Company are as follows:

	Sales to related parties £'000	Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Wholly owned subsidiaries				
2022	—	—	35,866	82,521
2021	—	—	35,528	67,584
	Sales to related parties £'000	Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Non-wholly owned subsidiaries				
2022	—	—	46	522
2021	—	—	—	544

17. Financial instruments – risk management

The Company's principal financial instruments comprise of cash and cash equivalents with access to a £90m loan facility. The Company's loan facility was amended and restated during February 2023 with a new credit limit of £60m. The main purpose of these financial instruments is to raise finance for the Company's operations and to fund acquisitions. The Company has various financial assets and liabilities such as trade receivables, cash and short term deposits and trade payables, which arise directly from its operations.

It is the Company's policy that trading in derivatives shall not be undertaken. The Company may, from time to time and as necessary, enter into interest rate swaps for risk management purposes but did not hold any such swaps during either the current or prior year.

The Company is exposed through its operations to the following financial risks:

- interest rate risk;
- liquidity risk; and
- credit risk.

Policy for managing these risks is set up by the Board following recommendations from the Group Chief Financial Officer. The policy for each of the above risks is described in more detail below.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates. The majority of external Group borrowings are at variable interest rates based on the Bank of England base rate plus a margin and this policy is managed centrally. The subsidiaries are not permitted to borrow from external sources directly without approval from the Group Finance team.

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

Liquidity risk

The Company aims to mitigate liquidity risk by managing cash generation by its operations, dividend policy and acquisition strategy. Acquisitions are carefully selected with authorisation limits operating up to Group Board level and cash payback periods applied as part of the investment appraisal process.

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool and daily cash flow reporting. This includes consideration of the maturity of both its financial investments and financial assets (for example accounts receivable, and other financial assets) and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility for potential acquisitions through the use of its banking facilities.

17. Financial Instruments – risk management (continued)

At 31 December 2022, the Group had available £90.0m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met (2021: £90.0m).

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

Year ended 31 December 2022

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Interest-bearing loans and borrowings (including overdraft)	4,826	–	–	–	–	4,826
Trade and other payables	–	85,536	–	–	–	85,536
	4,826	85,536	–	–	–	90,362

Year ended 31 December 2021

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Interest-bearing loans and borrowings (including overdraft)	4,948	–	–	–	–	4,948
Trade and other payables	–	71,754	–	–	–	71,754
	4,948	71,754	–	–	–	76,702

The liquidity risk of the Company entity is managed centrally by the Group Treasury function. The Company's cash requirement is monitored closely. The Company has a RCF with a syndicate of major banking corporations to manage longer term borrowing requirements.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains appropriate capital structure to support its business objectives, including any regulatory requirements, and maximise shareholder value. Capital includes share capital and other equity attributable to the equity holders of the parent.

In the medium to long term, the Company will strive to maintain a reasonable leverage (ie balance between debt and equity) to help achieve the Company's business objectives of growth (through acquisitions and organic growth) and dividend policy. In the short term, the Company does not have a set leverage ratio to be achieved but the Directors monitor the ratio of net debt to operating profit to ensure that the debt funding is not excessively high.

Credit risk

There are no significant concentrations of credit risk within the Company.

Interest rate risk profile of financial assets and liabilities

Treasury policy is described in the note above.

The interest rate profile of the financial assets and liabilities of the Company as at 31 December 2022 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	Total £'000
Floating rate					
Cash and cash equivalents	(4,826)	–	–	–	(4,826)

The interest rate profile of the financial assets and liabilities of the Company as at 31 December 2021 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	Total £'000
Floating rate					
Cash and cash equivalents	(4,948)	–	–	–	(4,948)

Notes to the Parent Company Financial Statements continued.

for the year ended 31 December 2022

17. Financial instruments – risk management (continued)

Fair values of financial assets and financial liabilities

The fair values for the majority of the financial instruments have been calculated by discounting the expected future cash flows at interest rates prevailing for a comparable maturity period for each instrument. There are no material differences between the book value and fair value for any of the Company's financial instruments.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

2022	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	115	–	–	115
2021	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	4,610	–	–	4,610

The fair value of equity financial assets that are not traded in the open market of £0.1m (2021: £4.6m) are using level 3 techniques in accordance with the fair value hierarchy and the Management Team use all relevant and up to date information (including cash flow forecasts and financial statements) to arrive at their judgement. Where appropriate a range of potential outcomes is considered in reaching a conclusion.

18. Assets held for sale

Amounts classified as held for sale include the Company's investment in, and intercompany receivable from Marsh & Parsons (Holdings) Limited. The composition of assets held for sale on the balance sheet is set out below:

	Total £'000
Assets held for sale	
Investments	28,850
Amount owed by group undertakings	–
At 31 December 2022	28,850

As disclosed in note 5 the Company's investment in Marsh & Parsons (Holdings) Limited was impaired by £17.0m at 31 December 2022. The intercompany receivable due from Marsh & Parsons (Holdings) Limited of £1.3m (2021: £1.3m) is not considered to be recoverable and therefore an expected credit loss has been created for the full amount, the amount owed by Group undertakings presented above is shown net of this amount.

19. Events after the reporting period

On 26 January 2023, the Group announced the sale of Marsh & Parsons (Holdings) Limited and its subsidiary Marsh & Parsons Limited, together "Marsh & Parsons", to a subsidiary of Dexters London Limited for a consideration of £29m payable on completion, subject to working capital adjustments.

In February 2023, the Group amended and restated its banking facility which runs to May 2026 with a new limit of £60m; this replaced the previous RCF which had a maturity date of May 2024 and credit limit of £90m.

In April 2023, the Group invested an additional £0.2m into Pivotal Growth to continue to support its buy and build growth strategy.

Other information

In this section

- 178 Definitions
- 183 Shareholder Information (including forward looking statements information)

Definitions

“Adjusted Basic Earnings per Share” or “Adjusted Basic EPS” is defined at note 11 to the Financial Statements.

“Adjusted EBITDA” is Group Underlying Operating Profit (note 5 to the Financial Statements) plus depreciation on property, plant and equipment.

“AGM” annual general meeting.

“Advance Mortgage Funding” Advance Mortgage Funding Limited.

“Albany” Albany Insurance Company (Guernsey) Limited.

“AR” appointed representative.

“Asset Management” refers to LSL’s repossessions, asset management and property management services for multi-property landlords.

“Audit & Risk Committee” LSL’s Audit & Risk Committee.

“Auditor Independence Policy” LSL policy relating to non-audit services provided by the external auditor.

“Basic Earnings per Share” or “EPS” is defined at note 11 to the Financial Statements.

“Board”/“Board of Directors” the board of Directors of LSL.

“BAYE” Buy As You Earn (also referred to as SIP).

“BDS” BDS Mortgage Group Limited.

“B2B” business to business.

“CAGR” compound average growth rate.

“Chair Designate” refers to David Barral.

“Committee(s)” refers to LSL’s Nominations Committee, the Audit & Risk Committee, the Remuneration Committee and the Disclosure Committee.

“Company” and “Parent Company” refers to LSL Property Services plc.

“CBI” Confederation of British Industry.

“Corporate Governance Report” the Corporate Governance and Nominations Committee Report contained within this Report.

“Code” UK Code of Corporate Governance published by the Financial Reporting Council (FRC) (July 2018 edition).

“Company Secretary” Sapna B. FitzGerald.

“CEO” Chief Executive Officer, David Stewart.

“CFO” Chief Financial Officer, Adam Castleton.

“COO” Chief Operating Officer, David Akinluyi.

“COVID-19” coronavirus.

“CSO” Chief Strategy Officer, Andy Deeks.

“CSOP” Company Share Ownership Plan.

“CTO” Chief Technology Officer.

“CTP” climate transition plan.

“Data and Information Security Committee” or “DISC” LSL’s Data and Information Security Committee.

“Davis Tate” trading name of Davis Tate Ltd.

“DEFRA” Department for Environment, Food & Rural Affairs.

“Director” an Executive Director or Non Executive Director of LSL.

“Division(s)” refers to each of our Financial Services, Surveying & Valuation and Estate Agency divisions.

“DLPS” or “Direct Life and Pension Services” or “Direct Life and Pensions” Direct Life and Pension Services Limited.

"DPO" Data Protection Officer.

"D2C" direct to consumer.

"EBITA" earning, before interest, taxes, and amortisation.

"EBITDA" earnings, before interest, taxes, depreciation and amortisation.

"Elsevier" Elsevier Limited.

"Embrace Financial Services" or "EFS" Embrace Financial Services Limited.

"EPS" earnings per share.

"EPC" energy performance certificate.

"Ernst & Young" Ernst & Young LLP

"ESG" Environmental, Social and Governance.

"ESOS" Energy Savings Opportunity Scheme.

"ESOT" LSL's employee share scheme.

"ESOT Trustees" Apex Financial Services (Trust Company) Limited.

"Estate Agency Division" or "Estate Agency" this refers to Residential Sales, Lettings and Asset Management businesses.

"e.surv" or "e.surv Chartered Surveyors" trading names of e.surv Limited.

"EWG" LSL's Environmental Working Group.

"Executive Committee" Executive Committee of the Group, which includes the Executive Directors.

"Executive Director(s)" David Stewart, Adam Castleton and Helen Buck (up to 31 March 2023).

"EU" European Union.

"FCA" Financial Conduct Authority.

"Financial Services Division" or "Financial Services" or "FS" refers to LSL's financial services division (including mortgage, non-investment insurance brokerage services and the operation of LSL's intermediary networks).

"Financial Services Networks" or "Networks" refers to the PRIMIS Network and TMA mortgage club.

"Financial Services Other" refers to Pivotal Growth, New Homes businesses, D2C and technology businesses (Mortgage Gym and DLPS).

"First2Protect" First2Protect Limited.

"First Complete" First Complete Limited.

"Financial Statements" financial statements contained in this Report.

"FRC" Financial Reporting Council.

"FTE" full time equivalent.

"Global Property Ventures" refers to Global Property Ventures Limited.

"Group" LSL Property Services plc and its subsidiaries.

"Group First" Group First Ltd, holding company of Mortgages First Ltd and Insurance First Brokers Ltd.

"Group Revenue" total revenue for the LSL Group.

"Group Underlying Operating margin" Group Underlying Operating Profit divided by Group Revenue.

"Goodfellows" trading name of GFEA Limited.

"Hawes" or "Hawes & Co" trading name of Hawes & Co Limited.

"HMRC" His Majesty's Revenue and Customs.

Definitions

“**Homefast Property Services**” Homefast Property Services Limited.

“**Home Report**” a report which includes a single survey, energy report and property questionnaire and which must accompany all residential property marketing in Scotland.

“**IAS**” International Accounting Standards.

“**IBNR**” Incurred But Not Reported.

“**ID&E**” Inclusion, Diversity and Equality.

“**IFRS**” International Financial Reporting Standards.

“**Insurance First Brokers**” Insurance First Brokers Ltd.

“**Intercounty**” trading name of ICIEA Limited.

“**IS**” information security.

“**JNP**” trading name of JNP Estate Agents Limited.

“**JSOP**” joint share ownership plan.

“**Korn Ferry**” trading name of Korn Ferry Hay Group Limited.

“**KPI**” key performance indicators.

“**Land & New Homes**” LSL Land & New Homes Ltd.

“**Lauristons**” trading name of Lauristons Limited.

“**LMS**” LMS Direct Conveyancing Limited and Cybele Solutions Holdings Limited.

“**Linear**” and “**Linear Financial Solutions**” are trading names of Linear Mortgage Network Limited.

“**Living Responsibly Report**” report published on our website setting out our Living Responsibly strategy and programme.

“**LSE**” London Stock Exchange.

“**LSLi**” LSLi Limited and its subsidiary companies (during 2022 these included JNP, Intercounty, David Frost Estate Agents Limited, Goodfellows, Davis Tate, Lauristons, Hawes & Co and Thomas Morris).

“**LSL**”, “**Group**” and “**Parent Company**” refers to LSL Property Services plc and its subsidiaries.

“**LSL Corporate Client Department**” trading name of LSL Corporate Client Services Limited.

“**LTIP**” Long Term Incentive Plan.

“**Management**” refers to the Group’s management teams.

“**MAR**” the UK Market Abuse Regulation.

“**Marsh & Parsons**” trading name of Marsh & Parsons Limited.

“**Mortgages First**” Mortgages First Ltd.

“**Mortgage Gym**” Mortgage Gym Solutions Ltd.

“**Net Bank Debt**” see note 35 to the Financial Statements.

“**Net Cash**” see note 35 to the Financial Statements

“**New Build**” refers to RSC New Homes Limited and the Group First companies.

“**NFM**” non-financial measures.

“**NI**” national insurance.

“**Non Executive Director**” refers, during 2022, to Gaby Appleton, Darrell Evans, Bill Shannon, Simon Embley and Sonya Ghobrial. Since 3 April 2023 it also includes David Barral.

"Notice of Meeting" the circular made available to shareholders setting out details of the AGM.

"Numis" Numis Securities Limited.

"OCI" refers to other comprehensive income.

"Palmer and Harvey" trading name of Palmer & Harvey McLane Limited.

"PDMRs" Persons Discharging Managerial Responsibility as defined in Article 3(1) (25) of UK MAR.

"Personal Touch Financial Services" or "PTFS" Personal Touch Financial Services Limited.

"Personal Touch Administration Services" or "PTAS" Personal Touch Administration Services Limited.

"Pivotal Growth" Pivotal Growth Limited.

"PI" professional indemnity.

"PI Costs" costs relating to ongoing and expected future PI claims relating to Surveying & Valuation business.

"Pollen Street Capital" or "PSC" Pollen Street Capital Limited.

"PRIMIS Network" or "PRIMIS" a trading name of Advance Mortgage Funding Limited, First Complete Limited, and Personal Touch Financial Services Limited.

"PRSim" refers to our private rented sector property management business which was divested in the first quarter of 2023.

"RCF" Revolving Credit Facility.

"Reeds Rains" trading name of Reeds Rains Limited.

"Registered Office" Newcastle House, Albany Court, Newcastle Business Park, Newcastle upon Tyne, NE4 7YB.

"RELX" RELX Group plc.

"Report" LSL's Annual Report and Accounts 2022.

"RICS" Royal Institution of Chartered Surveyors.

"Road to Health" RoadtoHealth Group Ltd.

"RNIB" Royal National Institute for the Blind.

"RSC New Homes" or "RSC" RSC New Homes Limited.

"Sainsbury's" Sainsbury's Supermarkets Limited.

"SAYE" Save As You Earn.

"SBTi" Science Based Targets.

"SECR" Streamlined Energy and Carbon Reporting.

"Senior Management Team" or "Senior Managers" includes three Executive Directors, and the Executive Committee and their direct reports, excluding PAs and administrators.

"SIP" Share Incentive Plan (also referred to as BAYE).

"Surveying & Valuation" refers to e.surv Limited (including where it trades as Walker Fraser Steel).

"Templeton" trading name of Templeton LPA Limited.

"TCFD" Task Force on Climate-Related Financial Disclosures.

"The Property Franchise Group" or "TPFG" The Property Franchise Group plc.

"Thomas Morris" trading name of Thomas Morris Limited.

"The Mortgage Alliance" or "TMA" are trading names of Advance Mortgage Funding Limited's mortgage club.

"TM Group" TM Group Limited.

Definitions

“Toolbox” PRIMIS’s end-to-end customer services platform.

“Treasury Shares” shares held in treasury with no dividend rights and no voting rights at LSL’s general meetings.

“Trust” LSL’s SIP trust.

“Trustees” Link Market Services (Trustees) Limited.

“TSR” Total Shareholder Return.

“UKLA” UK Listing Authority.

“Underlying Operating margin” operating profit before exceptional costs, contingent consideration, amortisation and share-based payments shown as a percentage of turnover.

“Underlying Operating Profit/Loss” before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments.

“VEM” or “Vibrant Energy Matters” Vibrant Energy Matters Limited.

“Walker Fraser Steele” a trading name of e.surv Limited.

“YOPA” YOPA Property Limited.

“YTD” year to date.

“Your Move” trading name of your-move.co.uk Limited.

“Zeus” Zeus Capital Limited.

Shareholder Information (including forward looking statements information)

Company details

LSL Property Services plc
Registered in England (company number 5114014)
LEI Number 21380014VMB5VR3C/S706

Registered office

Newcastle House, Albany Court, Newcastle Business Park, Newcastle upon Tyne, NE4 7YB
Telephone: 0191 233 4600
Email: investorrelations@lspls.co.uk
Website: lspls.co.uk

Company Secretary's office

Howard House, 3 St Mary's Court, Blossom Street, York, YO24 1AH
Email: investorrelations@lspls.co.uk

Share listing

LSL Property Services plc 0.2 pence ordinary shares are listed on the London Stock Exchange under ISIN GB00BIG5HX72

Registrar

Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL
Telephone: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Link Group is open between 09:00 -17:30, Monday to Friday excluding public holidays in England and Wales.

Website: linkgroup.eu

Email: shareholderenquiries@linkgroup.co.uk

If you move, please do not forget to let the registrar know your new address.

Independent Auditors:

Ernst & Young LLP
1 More London Place
London
SE1 2AF
United Kingdom

Brokers:

Numis Securities Limited
Zeus Capital Limited

Calendar of events

Preliminary results released	13 April 2023
AGM proxy form deadline	23 May 2023
AGM	25 May 2023 at 3.15 pm

The AGM will be held at 210 Euston Road, London, NW1 2DA. The Notice of Meeting details the proposed resolutions.

In accordance with our articles of association, we publish shareholder information, including notice of AGMs and the Annual Report and Accounts on our website (lspls.co.uk). Reducing the number of communications sent by post not only results in cost savings to us, it also reduces the impact that unnecessary printing and distribution of reports has on the environment.

Our articles of association enable all communications between us and our shareholders to be made in electronic form (as permitted by the Companies Act 2006). Documents will be supplied via our website to shareholders who have not requested a hard copy or provided an email address to which documents of information may be sent. Where a shareholder has consented to receive information via the website, a letter will be sent to the shareholder on release of any information directing them to the website (lspls.co.uk).

If a shareholder wishes to continue to receive hard copy documents, they should contact Link Group (details above).

Forward looking statements

This Report may contain certain statements that are forward looking statements. They appear in a number of places throughout this Report and include statements regarding LSL's intentions, beliefs or current expectations and those of its officers, directors and employees concerning, amongst other things, LSL's results of operations, financial condition, liquidity, prospects, growth, strategies and the business it operates. By their nature, these statements involve risks and uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward looking statements reflect knowledge and information available at the date of preparation of this update and, unless otherwise required by applicable law, LSL undertakes no obligation to update or revise these forward looking statements. Nothing in this update should be construed as a profit forecast. LSL and its Directors accept no liability to third parties in respect of this update save as would arise under English law. Information about the management of the principal risks and uncertainties facing LSL is set out within the Strategic Report on pages 25 to 29.

Any forward looking statements in this Report speak only at the date of this Report and LSL undertakes no obligation to update publicly or review any forward looking statement to reflect new information or events, circumstances or developments after the date of this Report.

LSL Property Services plc
lsps.co.uk

Registered in England

(Company number 5114014)

Registered office:

Newcastle House

Albany Court

Newcastle Business Park

Newcastle upon Tyne

NE4 7YB

Email: investorrelations@lsps.co.uk

LSL