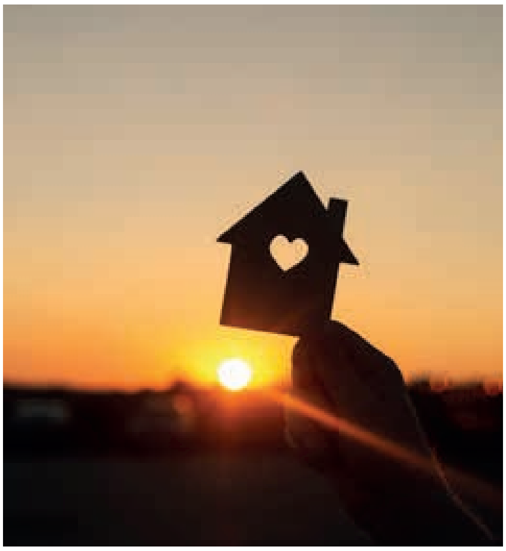
LSL

Annual Report and Accounts 2023



LSL

Annual Report and Accounts 2023

Directors' Report and Financial Review (including Business Review)

We are one of the largest providers of services to mortgage intermediaries and estate agency franchisees. We also provide surveying and valuation services to seven out of the eight largest lenders in the UK.

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

Forward-looking statements

This Report may contain forward-looking statements with respect to certain plans and current goals and expectations relating to the future financial condition, business performance and results of LSL. Further information about forward-looking statements can be found in the Shareholder Information section on page 203.

Financial Highlights

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

Group Revenue
(Continuing operations only)

£144.4m

(2022: £217.5m)

Group Underlying Operating Profit
(Continuing operations only)

£10.3m

(2022: £29.9m)

Group exceptional costs
(Continuing operations only)

£(13.8)m

(2022: £(48.3)m)

Net Cash

£35.0m

(2022: £40.1m)

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

Notes:

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

2 See note 36 to the Financial Statements for details regarding the restatement.

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

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

5 Refer to note 12 to the Financial Statements for the calculation.

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

2024 Outlook

- 2024 has started strongly with improving sentiment and lower mortgage rates driving more activity across our core markets. We have seen an increase in mortgage approvals as well as housing transactions and the start of a normalisation in product mix in our mortgage business. These conditions have particularly benefited our Surveying & Valuation business, where there has been a very substantial increase in activity and profits.
- It was against this background of improving activity and Group trading that we issued a trading update on 6 March, since which time trading has remained ahead of expectations. At the end of Q1 2024, Group Underlying Operating Profit was materially ahead of the same period in 2023. This improved trading reflects better market conditions as well as the benefits of the new Estate Agency franchise model, improved lender contracts, and our decision to retain surplus capacity throughout the second half of 2023 in our Surveying & Valuation business.
- Although we retain a degree of caution, inflation data still suggests that interest rates will reduce in 2024, which would help support our markets. This, together with the strong performance since our recent trading update on 6 March, reinforces the Board’s confidence, and our expectations for full year Underlying Operating Profit have increased further.

About LSL and Our Markets

About LSL

Unless stated otherwise, information in this section of the Report is as at 31 December 2023.

We are one of the largest providers of B2B services to the UK's property and mortgage market. We provide services to mortgage intermediaries and estate agency franchisees, and valuations to many of the UK's largest lenders. Details of our business model are included in the Purpose, Strategy, Culture, Values and Business Model section of this Report.

We have three Divisions:

- Financial Services
- Surveying & Valuation
- Estate Agency Franchising

Financial Services	Surveying & Valuation	Estate Agency Franchising
One of the UK's largest mortgage and insurance networks	One of the UK's largest surveying and valuation businesses	One of the UK's largest providers of estate agency franchise services

Financial Services

One of the UK's largest mortgage and insurance networks
We provide compliance and other services to members of our Financial Services Network. Together, the PRIMIS Mortgage Network and The Mortgage Alliance (TMA) make up one of the UK's largest mortgage and insurance networks. Following our acquisition of TenetLime Limited in February 2024, PRIMIS increased its number of advisers to 2,913 and 1,153 firms, with a mortgage market share of more than one in ten UK purchases and remortgages.

Pivotal Growth
Pivotal Growth is a joint venture established in 2021 with Pollen Street Capital to execute a 'buy and build' strategy of mortgage brokers. Pivotal Growth has made a number of acquisitions and now has more than 400 mortgage advisers.

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 472 (FTE) surveyors, and counts seven of the UK's eight largest lenders amongst its clients. e.surv is rated Excellent on the review platform Trustpilot, with a score of 4.8 stars from over 5,000 verified reviews.

Since 1 April 2023, the Division also includes our asset management businesses, LSL Corporate Client Department and Templeton LPA, which were previously included in the Estate Agency Division (now the Estate Agency Franchising Division). They specialise in managing the sale of residential properties on behalf of corporate clients and property investors.

Estate Agency Franchising
We provide estate agency franchising services, such as brand marketing and commercial and IT support, to a network of over 300 territories across the UK. These territories are independently managed and operated by Estate Agency franchisees under various brands, including Your Move and Reeds Rains, as well as several local brands. All franchisees operating our brands won either Excellent or Exceptional status in Sales and/or Lettings at the EA Masters Awards, for inclusion in the Best Estate Agency Guide 2024.

We also own other specialist businesses which support franchisees with related product services:

– LSL Land & New Homes provides a complete range of services for house builders, developers and investors of all sizes, which can be used by all franchisees.

– Homefast provides conveyancing panel management and support services to our franchisees and their customers.

Our customers' end 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 and lettings market in the Estate Agency Franchising Division. In addition, our Financial Services businesses distribute significant numbers of protection assurance policies. There is some correlation between the UK housing and mortgage markets, although remortgages, product transfers and assurance products are significant parts of the mortgage market and are often not correlated with the housing market.

Mortgage market

Demand for mortgages reduced against a market backdrop of rising interest rates and higher mortgage costs in 2023, whilst the intermediary share increased slightly[2]:

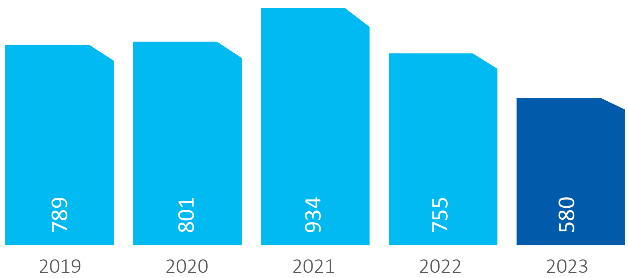
- Total gross mortgage lending[1] in 2023 was £224bn, 29% lower than the prior year (2022: £314bn) with a continued shift towards refinancing. Purchase mortgages accounted for only 59% of total lending (2022: 61%).
- The proportion of mortgage lending placed through financial advisers[2] increased to 84% in 2023 (2022: 81%).
- Total mortgage approvals for house purchases[3] were down 23% to 580,000 in 2023, with demand soft throughout the year due to affordability issues.
- Remortgage (and other)[3] approvals were down 34% on 2022, while remortgage and other lending was 25% behind as consumers faced uncertainty in a volatile market throughout much of the year.

Housing market – residential sales and lettings

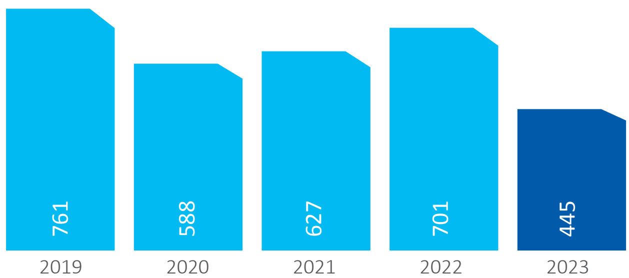
2023 saw a reduced housing market, with transactions at their lowest level for 11 years:

- UK housing transactions[4] in 2023 were 1,019,000, down 19% (2022: 1,258,000).
- Transactions were down 18% in H1 2023 and 20% down year-on-year in H2 2023.
- At the end of 2023, average house prices in England and Wales[5] were 3.9% lower than a year earlier.
- Private rental prices paid by tenants in the UK rose by 6.2% in the 12 months to December 2023, and increased by 5.8% excluding London[6].

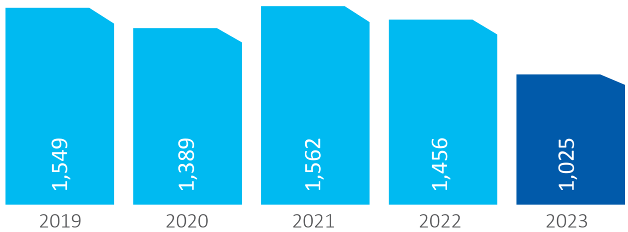
Total Mortgage Approvals for House Purchase
’000s



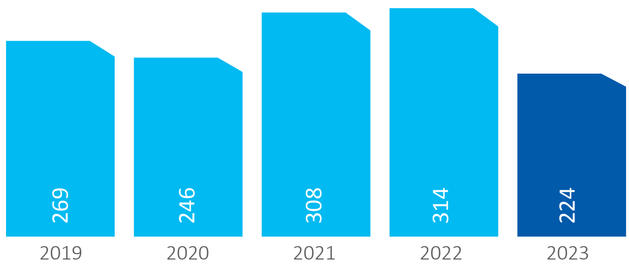
Remortgage (and other) Volumes
’000s



Total Mortgage Approvals
’000s



Total Gross Mortgage Lending
£bn



Sources:
1 New mortgage lending by purpose of loan, UK (Bank of England) – Table MM23 (30 January 2024).
2 New residential lending sold direct and via intermediaries (excluding product transfers), UK Finance – Table RL8 (16 February 2024).
3 Approvals for lending secured on dwellings, Bank of England – Table A5.4 (30 January 2024).
4 Number of residential property transaction completions with value £40,000 or above, HMRC (31 January 2024).
5 House price index, England and Wales, LSL Acadata (January 2024).
6 Index of Private Housing Rental Prices, UK, ONS (January 2024).

Chair's Statement

I'm pleased to present the Annual Report and Accounts for the financial year 2023. I was appointed as Interim Non Executive Chair of the Board with effect from 26 February 2024 following the departure of David Barral. I have been on the Board as an independent Non Executive Director since February 2019. In this Report, you will find an in-depth review of the Group's financial performance together with details of the significant strategic progress made to reshape the business. While much has been achieved to structurally improve the Group, the market backdrop has been very difficult, and this has had a material negative impact on our financial performance which is very disappointing and in no way reflects the potential of LSL. Our performance showed stability in the second half of 2023 and has improved significantly in 2024 as the Group captures the benefits of our transformation as well as the recovery in the housing market boosting demand.

Major strategy progress against very challenging market conditions

The Executive and Senior Leadership Team has delivered major strategic progress during the year, with the radical restructure of both the Financial Services Division and the Estate Agency Division, with the previously owned and managed Estate Agency Division partially sold and the remainder fully converted into a franchise operation. These businesses are now business-to-business platforms with strong market positions, with significantly reduced costs, low capital requirements and potential for high cash generation.

The intense amount of work to deliver this transformation should not be underestimated and has been achieved against a very challenging market, where housing transactions were almost a fifth lower than prior years and new mortgage lending was down 29% versus 2022. I want to thank the entire team for their dedication, hard work and commitment. I have no doubt that the Group will see the financial and operational benefits over the coming years.

Balance sheet strength and dividend

The financial strength of the Group has been significantly improved during the year, with cash disposal proceeds, new credit facilities put in place and lower future organic capital requirements following our restructuring. The combination of these factors alongside our regular review of our capital allocation structure, mean the Board has concluded the Group has excess capital and announce the implementation of a share buy-back programme of up to £7m. Furthermore with an expected material increase in profitability in 2024, and our improved financial strength, the Board is proposing to maintain the final dividend at 7.4 pence per share with total dividend of 11.4 pence per share for the year.

Board changes

After nine years of fantastic service, Bill Shannon retired from the Board on 25 May 2023. I would like to thank him for his hard work and dedication during this time and the rest of the Board appreciate his generosity during his handover.

After year end, David Barral, who was appointed as Chair to replace Bill Shannon on 25 May 2023 left the Board on 26 February 2024. I was appointed Interim Chair on 26 February 2024 with the search for a new Chair underway.

Simon Embley, whose term expires at the 2024 AGM, will step down from the Board on 1 May 2024 as he wants to focus his time on the expansion of Pivotal Growth. Simon has been a driving force behind the Group for many years and has made a huge contribution to its success. On behalf of the Board, I would like to sincerely thank Simon for his contribution and we wish him well.

Looking forward

Market volumes remain below historic levels and consumer confidence is fragile. The recent downward move in mortgage rates is helpful and we have seen some early signs of improvement in our end markets. Profitability should improve materially for 2024 compared to 2023, reflecting the significant restructuring of the Group's cost base, a full year benefit of the new operating model for Estate Agency and a market recovery in Surveying & Valuation.

Our strong balance sheet provides the ability and confidence to seize organic and inorganic growth opportunities for the Group. Each Division has exciting future plans and the Board remains confident in LSL's long-term prospects.

Darrell Evans

Chair of the Board and the Nominations Committee
24 April 2024

Group Chief Executive Officer's Review

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

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

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

Our transformation programme has delivered material cost savings and reduced our cost base by 50% on an annualised basis. Combined with a new bank facility, disposal proceeds and enhanced financial flexibility due to the Group's strategic progress, we have strengthened our balance sheet further. We ended the year with £35.0m of Net Cash[1].

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

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

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

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

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

Group results

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

Group Revenue from continuing operations[2] was £144.4m (2022: £217.5m). After adjusting for disposals and discontinued operations in Estate Agency[2], revenue was 10%[3] below prior year in a new lending market that was 29% lower by value and a housing market down 19%.

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

Strategic priorities and development

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

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

Estate Agency franchising model

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

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

Prior to the announcement of our franchising programme, in January 2023, we announced the sale of our London estate agency business, Marsh & Parsons, for total consideration of £26.1m[5] at an attractive multiple. Its profit in 2022 was £1.6m. We did not consider Marsh & Parsons was suitable for our franchising operation.

Focus on B2B in Financial Services

The first half of 2023 also saw us take the last steps to focus financial services activity exclusively on business-to-business services, through our PRIMIS Network and TMA mortgage club. The disposals announced in April 2023 of our mortgage, protection, and general insurance brokerage firms, Embrace and First2Protect, to Pivotal Growth, followed on from transactions in January 2023 when we similarly sold our new build focused brokerage businesses, RSC and Group First, to Pivotal Growth. These transactions simplify our Financial Services Division, reducing costs and reducing earnings volatility, whilst retaining LSL's capability to capitalise on B2C opportunities through our equity share in Pivotal Growth.

Increasing scale in the Financial Services Network

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

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

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

Investment in management

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

Surveying & Valuation contract renewals

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

Pivotal Growth joint venture

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

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

Following a slower than expected start, as Pivotal maintained a disciplined approach to deal price, it has acquired 12 businesses and currently has over 400 advisers, making it one of the largest mortgage brokers in the UK. This includes three acquisitions made in 2024, including that of John Charcol, a firm with 150 advisers. Pivotal's scale improves its ability to win new distribution agreements, drive synergies and make it a more compelling proposition for future acquisition partners. The acquisitions made to date have integrated and synergies are being delivered.

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

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

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

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

Capital structure and capital allocation

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

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

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

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

Capital expenditure and investments

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

The new Group operating model is less capital intensive, which is reflected in lower capital expenditure requirements, typically expected to be in the region of £3-5m per annum. The Group also expects to invest up to £15m in Pivotal Growth over the next three years. In addition, the Group expects one-off cash investments of up to £6m for further contingent consideration on TenetLime and up to £7m for restructuring costs relating to Estate Agency franchising, as previously disclosed.

Dividend

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

The strategic progress made by the Group in 2023 has underpinned the Board's confidence in the future. We have secured material cost savings and now operate a higher margin and lower capital-intensive business following the restructuring in Financial Services and Estate Agency. The Group balance sheet is robust with Net Cash[1] of £35.0m at 31 December 2023, boosted by disposal proceeds.

This strong cash position, the anticipated significant increase in profit in 2024 and the Board's confidence in the Group's prospects, allows the Board to declare a final dividend of 7.4 pence per share, unchanged on last year, making a total dividend of 11.4 pence per share.

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

Living Responsibly and ESG

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

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

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

Current trading and outlook

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

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

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

David Stewart
Group Chief Executive Officer
24 April 2024

Notes:

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

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

3 Revenue: £138.1m in 2023 with statutory revenue of £144.4m less £6.2m revenue from businesses disposed in 2023, as compared to £154.1m in 2022 with statutory revenue of £217.5m less £63.4m revenue from businesses disposed in 2023.

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

5 Refer to note 9 to the Financial Statements.

Strategic Report

In this section:

Purpose, Strategy, Culture, Values and Business Model

All information in this section of the Report is, unless stated otherwise, as at 31 December 2023.

The Board has established our Group purpose, culture, values and strategy. Our strategy is aligned to our purpose, culture and values, which together provide an anchor point for risk management and articulate what joins our three Divisions and our Group companies together.

Our purpose

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

Set out below is what our purpose means to our key stakeholders.

Our customers	**Mortgage and insurance advisers**	Technology, compliance, marketing and business development services to help them safely grow their businesses through delivering excellent customer service ensuring good customer outcomes.
	Lenders	Access to a national network of highly-skilled Chartered Surveyors, plus our market-leading knowledge of property risk, to help them make safe lending decisions and deliver excellent customer service.
	Estate Agency franchisees	Technology and business development services to help them safely grow their businesses through delivering good customer service.
Our people		Delivering an improving colleague experience through an increasingly diverse, inclusive culture which puts colleague feedback at its heart.
Our shareholders		Providing access to market-leading, growth-orientated assets in the UK mortgage and property market with a focus on a lower fixed cost, leading business-to-business services.
Our communities and the environment		A commitment to doing the right thing and being responsible with the communities and environment in which we work.

Our strategy

Our strategy aims to deliver sustainable, resilient and profitable growth through business-to-business services to businesses which operate in the UK housing and mortgage markets.

Our strategic objectives are to:

- Enhance our market-leading positions in each of our three core businesses.
- Reduce earnings volatility and manage our exposure to mortgage and housing market cycles.
- Generate new and more non-cyclical revenue streams.
- Create scalable platforms.
- Increase operating process efficiency.
- Enhance the productivity of our mortgage intermediary and estate agency partners.
- Focus on our Living Responsibly ESG programme.
- Retain, develop and attract talented people.

For details of the steps we have taken to deliver our strategy during 2023, see the Group Chief Executive Officer's Report (page 07) and the Business Reviews (page 14).

Our culture

Our desired culture for our colleagues is:

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

b. **Doing the right things:** which deliver customer expectations.

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

We believe that this culture aligns with our purpose and supports our strategy, including Living Responsibly.

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)

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

Key

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

Each Division is operated by its own management team, which is tasked to develop and implement plans to support the delivery of the Group's strategy. Each Division is a leading player in the markets in which they operate and this scale, strong reputation, people and brands represent important sources of competitive strength.

Division	Proposition	Source of income	Growth drivers
Financial Services Network Business	UK's largest mortgage and insurance network with 2,700+ advisers and further growth from TenetLime acquisition	Broker fees and procuration and commissions shares from product providers	Adviser growth Productivity growth New products and services Consider network acquisitions
Surveying & Valuation	Market-leading Surveying & Valuation business, serving seven of the ten largest lenders, including all of Lloyds Banking Group	Payments from lenders and consumers for services	Surveyor capacity and optimisation New products and services Development of D2C
Estate Agency Franchising	One of UK's largest franchise estate agency groups with 300+ territories, including Your Move/Reeds Rains	Franchisee fees for services	New products and services Territory growth Lettings market share growth

Business model resilience

We believe our business model is sustainable in the long term, especially in light of the progress made in recent years to materially reduce the fixed cost base, reduce exposure to housing market cycles in our Financial Services and Estate Agency Franchising Divisions.

Financial Services

Our Financial Services businesses provide services to mortgage intermediaries which distribute over 80% of regulated mortgages in the UK, offering a large and stable market for Group services. Our business model provides platform services to these brokers with limited financial risk due to its relatively small cost base. With the majority of distribution costs incurred within the mortgage broker firms that are customers of LSL, our business model is resilient to market downturns and has remained profitable in all market cycles.

Surveying & Valuation

In Surveying & Valuation, physical and remote valuations remain an integral part of many mortgage transactions, and focus on prudential risk by lenders and regulators mean that they are likely to remain integral in the long term. We continue to develop adjacent propositions, for example offering surveys directly to consumers, to complement this business line.

LSL has in place contracts with most of the UK's major lenders, typically of a three-year duration. This provides security of income stream over the planning cycle. The business has remained profitable in all market cycles.

Estate Agency Franchising

In 2023, we converted our entire owned Estate Agency branch network to a franchise model. In doing so reducing its cost base materially and its exposure to housing market cycles. Similar to our Financial Services Network business, the majority of costs are now incurred by the independent franchisees reducing financial risk and improving performance in adverse market conditions.

Financial and Divisional Reviews

Financial Review

Group Income Statement

Group revenue from continuing operations[1] was £144.4m (2022: £217.5m). After adjusting for disposals and discontinued operations in Estate Agency, revenue was 10%[2] below prior year in a housing market 19% lower and in a smaller lending market. Including discontinued operations in Estate Agency, revenue from total operations was £176.8m (2022: £321.7m), reflecting the previously owned network revenues.

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

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

Adjusted operating expenditure[4] comprises Employee costs, Other operating costs, and Depreciation and totalled £133.5m in 2023, 29% lower than prior year (2022: £188.4m), with the movement comprising the net effect of the following factors:

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

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

Other (losses)/gains

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

Share of losses from joint venture

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

Share-based payments

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

Amortisation of intangible assets[5]

The amortisation charge for 2023 was £2.3m (2022: £2.8m[6]), being amortisation of intangible software investment and franchise agreements. The year-on-year movement comprises a reduction in both lettings books and certain software intangibles as they have been fully amortised, partly offset by amortisation for the newly established franchise intangibles.

Exceptional items[7]

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

Exceptional costs of £13.8m (2022: £48.3m), primarily related to restructuring activity and corporate transaction costs of £5.8m, a reduction in contingent consideration assets of £4.1m for businesses sold to Pivotal Growth, reflecting changes to estimates, the net loss on disposals of Group First, RSC and Marsh & Parsons of £1.7m and impairment of Financial Services intangible software assets of £2.2m. Prior year exceptional costs related principally to the outcome of the annual impairment review and prior year restatements, which led to non-cash goodwill and other intangibles impairment of £47.2m[6].

Contingent consideration payable

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

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

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

Profit before tax

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

Taxation

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

Discontinued operations[1] loss of £46.1m (net of tax) in relation to the previously owned Estate Agency branch network (2022: loss of £36.5m). The discontinued operations in Estate Agency Franchising contributed an Underlying Operating Loss of £1.0m during the period (2022: profit £6.0m) before incurring exceptional restructuring costs in relation to the conversion of the Estate Agency network to a franchise operation (£16.5m) and associated disposed goodwill (£38.1m), offset in part by the exceptional gain on recognition of intangible franchise agreements of £10.7m.

Earnings per Share[8]

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

Notes:

1 Following the conversion of the entire owned Estate Agency network to franchisees in H1 2023, this was classified as a discontinued operation and is now presented as such in the Financial Statements. Refer to notes 2 and 6 to the Financial Statements.

2 Revenue: £138.1m in 2023 with statutory revenue of £144.4m less £6.2m revenue from businesses disposed in 2023, as compared to £154.1m in 2022 with statutory revenue of £217.5m less £63.4m revenue from businesses disposed in 2023.

3 Refer to note 5 to the Financial Statements for reconciliation of Group and Divisional Underlying Operating Profit to statutory operating (loss)/profit for continuing, discontinued and total operations.

4 Refer to note 35 to the Financial Statements.

5 Refer to note 17 to the Financial Statements.

6 Refer to note 36 to the Financial Statements.

7 Refer to note 9 to the Financial Statements.

8 Refer to note 12 to the Financial Statements.

Financial and Divisional Reviews

Financial Services Division

Financial Summary	FY 2023	Restated[1] 2022	Var
P&L2 (£m)			
Financial Services Network gross revenue	**284.6**	316.6	(10)%
Financial Services Network	**39.5**	41.6	(5)%
Financial Services Other	**12.2**	40.1	(69)%
Total Net Revenue	**51.7**	81.7	(37)%
Financial Services Network	**10.0**	15.5	(35)%
Financial Services Other	**(3.0)**	(2.6)	(13)%
Underlying Operating Profit[3]	**7.0**	12.8	(45)%
Financial Services Network margin	**25.3%**	37.2%	(1190)bps
Underlying Operating Margin[3]	**13.6%**	15.7%	(210)bps
Operating profit/(loss)	**5.0**	(7.2)	170%
KPIs			
LSL mortgage completion lending[4] (£bn)	**41.7**	45.6	(8)%
Total AR firms	**1,000**	1,005	(0)%
Total advisers	**2,661**	2,867	(7)%

Notes:

1 See note 36 to the Financial Statements for details regarding the restatement.

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

3 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).

4 LSL mortgage completion lending quoted includes product transfers.

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

Highlights

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

Overview

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

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

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

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

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

Total Financial Services Division Underlying Operating Profit[1] was £7.0m (2022: £12.8m). On a statutory basis, operating profit was £5.0m (2022: loss of £7.2m).

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

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 Mortgage lending excluding product transfers - New mortgage lending by purpose of loan, UK (BoE) – Table MM23 (Jan 2024).

Financial and Divisional Reviews

Surveying & Valuation Division

Financial Summary	FY 2023	2022	Var
P&L (£m)			
Total revenue	**67.8**	93.2	(27)%
Underlying Operating Profit[1]	**5.4**	20.4	(74)%
Underlying Operating Margin[1]	**8.0%**	21.9%	(1390)bps
Operating profit	**2.0**	20.8	(90)%
KPIs			
Jobs performed (000's)	**389**	532	(27)%
Jobs per average surveyor	**782**	1,066	(27)%
Revenue from private surveys and data services (£m)	**3.8**	3.8	(2)%
Income per job (£)	**174**	175	(1)%
Operational surveyors employed (FTE[2])	**472**	512	(8)%

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 performance was impacted by significant reductions in valuation instructions across the market** and as a result Underlying Operating Profit[1] fell to £5.4m (2022: £20.4m)
- **Market share of valuation instructions[2] increased slightly to 38%** (2022: 37%)
- **Early signs of market recovery in quarter four of 2023,** with significant further improvement in 2024
- **Contract with Lloyds Banking Group extended to September 2028,** underpinning the Group's leading market position. Furthermore we also secured an improvement in terms and allocation with another major lender
- **Retained contracts** with all lending customers with no loss in allocations
- **Self-help cost measures** were taken in 2023, including a reduction in the number of employed surveyors, achieved through voluntary redundancy. Our principal focus was to retain sufficient capacity to meet the requirements of more normal market conditions, and the business carried material excess costs in 2023, over the level of demand. All capacity is now fully deployed in quarter one 2024, as the market recovered earlier than expected
- **Surveying profit in quarter one 2024 was greater than the whole of 2023** as we benefited from recovering markets, improved contract terms and renewals, as well as the decision to retain excess capacity during 2023

Overview

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

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

Underlying Operating Profit[1] was £5.4m (2022: £20.4m) reflecting reduced activity in our markets and our decision to retain capacity to support a more normal level of activity. Self-help cost measures were taken in 2023, including a reduction in the number of employed surveyors, achieved through voluntary redundancy.

However, our principal focus was to retain sufficient capacity to meet the requirements of more normal market conditions, and the business carried material excess costs in 2023, over the level of demand. We have been pleased to fully deploy the excess capacity in quarter one 2024, with the market recovering earlier than expected.

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

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

We have identified medium-term opportunities to increase our diversification and reduce reliance on lender valuations and our exposure to mortgage market cycles, with the development of new revenue streams providing data services to lenders and other clients and by growing revenue from direct-to-consumer (D2C) surveys. We have seen good growth in D2C in recent years, with revenues from this source having doubled between 2019 and 2022. Despite the more challenging conditions, 2023 revenue of £3.6m was unchanged from 2022 (£3.8m).

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 Approvals for lending secured on dwellings, Bank of England – Table A5.4 (30 January 2024).

Financial and Divisional Reviews

Estate Agency Franchising Division

Financial Summary	2023	FY Restated[1] 2022	Var
P&L[2] (£m)			
Continued operations	**24.9**	42.6	(42)%
Discontinued operations	**32.3**	104.3	(69)%
Total revenue	**57.2**	146.8	(61)%
Continued operations	**5.6**	3.9	43%
Discontinued operations	**(1.0)**	6.0	(117)%
Underlying Operating Profit[3]	**4.7**	9.9	(53)%
Continued operations	**22.6%**	9.3%	1330bps
Discontinued operations	**(3.0)%**	5.7%	(870)bps
Underlying Operating Margin[3]	**8.1%**	6.7%	140bps
Operating profit/(loss) from continuing operations	**4.4**	(26.8)	116%
Discontinued operations	**(45.3)**	(34.3)	(32)%
Operating loss from total operations	**(41.0)**	(61.2)	33%
Franchise KPIs			
Exchange units[4]	**18,603**	23,969	(22)%
Managed properties	**37,502**	37,177	1%
Territories[5]	**308**	308	–

Notes:
1 See note 36 to the Financial Statements for details regarding the restatement.
2 Following the conversion of the entire owned estate agency network to franchises in H1 2023, this was classified as a discontinued operation and is now presented as such in the Financial Statements. Refer to notes 2 and 6 to the Financial Statements.
3 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).
4 Excludes Marsh & Parsons disposed in January 2023.
5 Territories quoted for 2022 is from the commencement of the wholly owned franchised Estate Agency business in May 2023.

Highlights

- **Estate Agency Franchising Division transformation** following the conversion of owned branch network to franchisees and disposal of Marsh & Parsons leading to divisional annualised cost reductions of c£110m and thereby reducing earnings volatility
- **Benefits of new business model** were reflected in an Underlying Operating Profit[2] of around £5m in the eight-month period since the franchising change in May 2023, with operating margins of around 30%. This compared to a loss of around £0.3m for the first four months of the year under the old business model. Total Underlying Operating Profit[2] for 2023 of £4.7m was delivered during a period when there was a market-wide reduction of 19% in house sales, to the lowest level for 11 years
- In the first month of 2024, the Estate Agency Division reported a profit for only the second time in its history, reflecting the **more consistent earnings** of the franchise model
- The number of properties under management increased by 1% to 37,502 (2022: 37,177) demonstrating the **resilience of lettings through market cycles**

Overview

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

After an extensive strategic review, the Board decided to transform our estate agency operations, moving from a predominantly owned model to one entirely focused on the provision of franchise services. After an extensive programme of work, we announced on 4 May the conversion of our owned network of 183 branches to franchisees. This announcement followed the disposal in January of our London estate agency business, Marsh & Parsons, for total consideration of £26.1m[1] which did not form part of our overall franchise strategy.

We are pleased to report that this transformation programme was executed smoothly, with the financial performance since the change being ahead of our expectations. We are also clear that it was a significantly more profitable business model under the market conditions that emerged in 2023 than the previous owned model.

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

The benefits of the new business model were reflected in an Underlying Operating Profit[2] of around £5m in the eight-month period since the franchising change in May 2023, with operating margins in H2 above 25%. This compares to a loss of around £0.3m for the first four months of the year under the old business model. Total Underlying Operating Profit[2] for 2023 of £4.7m was delivered during a period when there was a market-wide reduction of 19% in house sales, to the lowest level for 11 years. The greater consistency of the franchising model was demonstrated further at the start of 2024 when the Division reported a profit in January for only the second time in its history.

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

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

Notes:

[1] Refer to note 9 to the Financial Statements.

[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).

Financial and Divisional Reviews

Balance Sheet Review

Goodwill[1]

The carrying value of goodwill is £16.9m (31 December 2022: £55.0m[2]). Following the conversion of the entire owned Estate Agency network to franchises during the period, the goodwill associated with Your Move, Reeds Rains and LSLi owned branches (£38.1m) has been disposed and reduced to £nil. Goodwill previously included within held for sale assets of £15.3m was disposed as part of the sales of Marsh & Parsons (£10.6m), Group First (£3.6m) and RSC (£1.1m), which completed in January 2023.

Other intangible assets[1]

Other intangible assets of £21.5m at 31 December 2023 (31 December 2022: £14.7m[2]). New intangible franchise agreements of £10.7m were recognised during the period following the conversion of the entire owned Estate Agency network to franchises. The carrying value of all franchise agreements was £11.7m at 31 December 2023 (31 December 2022: £1.5m[2]). Total amortisation including discontinued operations of £2.7m was charged in the year, with £2.1m of new intangible software investment.

Intangibles disposed during the period as part of the restructuring across the Group came to £1.3m. During the period there has been an impairment to other intangible assets of £2.2m (2022: £0.1m). The charge relates to software assets within the Financial Services division where there has been a strategic shift to focus development on the Group's PRIMIS Connect platform and a declining number of third party software users. Please refer to note 17 for further information. The Group has reviewed its Software as a Service (SaaS) arrangements and current policy during 2023 prompted by the significant restructuring during the year. The Group has concluded that the policy to capitalise SaaS customisation costs, which was considered appropriate at the time, should be revised, and has determined that restatement of the prior year financial information is appropriate. The cumulative impact of the historic adjustment on retained earnings on 1 January 2022 was a reduction of £1.8m[2] and was not cash adjusting.

Property, plant and equipment

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

Financial assets

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

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

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

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

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

Investment in joint venture

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

Investment in sublease

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

Loans to franchisees and appointed representatives

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

Financial liabilities

Contingent consideration liabilities

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

Prior year restatements[2]

Franchising of previously owned branches

During the current period, the Group franchised its entire owned estate agency network (183 branches). In accounting for this significant transaction, the Group re-examined the accounting treatment applied to a much smaller transaction in the first half of 2019, when 39 owned estate agency branches were franchised. The impact of this was to restate the goodwill associated with these owned branches, de-recognising £5.2m of goodwill, recognising a franchise intangible net of amortisation of £1.7m and an associated deferred tax liability of £0.4m, with a cumulative non-cash impact on retained earnings at 1 January 2022 of £4.0m.

Adjustments to assets held for sale

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

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

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

Group Statement of Cash Flows
Operating cash flows before movements in working capital were £14.9m (2022: £47.6m) reflecting lower profits generated in 2023. Movements in working capital were an outflow of £11.0m (2022: £14.5m). The outflow in 2023 reflected higher Surveying billing in the last months of 2023 compared to the prior year, and amounts paid on behalf of franchisees ahead of rebilling. We expect working capital outflows to be more modest going forwards as the operating cycle of working capital continues to settle following the completion of significant restructuring and transformation programmes during 2023. The transformation has also resulted in a less capital-intensive business, with capital expenditure expected to be lower than in previous years, reflecting the franchise model in Estate Agency. The business is highly cash generative and ordinarily achieves a cash flow conversion rate[3] of 75% to 100%. The ratio in 2023 was (2.2)% reflecting the materially lower Underlying Operating Profit, with a ratio of 77% achieved in 2022.

At 31 December 2023, Net Cash[3] was £35.0m (31 December 2022: Net Cash £40.1m). Movements in the year included £4.7m further investment in Pivotal Growth (2022: £4.0m), capital expenditure of £2.9m (2022: £3.9m), exceptional costs in relation to divisional restructure and transformation programmes of £10.4m, payment of the 2022 final and 2023 interim dividends of £11.7m (2022: £11.8m) and the settlement of contingent consideration in RSC of £2.3m ahead of its disposal to Pivotal Growth. With the loss before tax of £40.6m (2022: £58.4m), including discontinued operations, there was no corporation tax paid.

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

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

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

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

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

Treasury and risk management
LSL has an active debt management policy. The Group does not hold or issue derivatives or other financial instruments for trading purposes. Further details on the Group's financial commitments, as well as the Group's treasury and risk management policies, are set out in this Report.

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

Notes:
[1] Refer to note 17 to the Financial Statements.
[2] Refer to note 36 to the Financial Statements.
[3] Refer to note 35 to the Financial Statements.

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, in accordance with their duty under section 172 of the Companies Act 2006.

We regularly review our arrangements with our stakeholders to ensure we are operating in line with best practice. This includes identifying any stakeholder impacts when presenting proposals to the Board for approval. In this section we have included examples of how our stakeholders have been engaged with or taken into consideration during the Board's decision making in 2023.

Each year the Board also reviews the Group's stakeholder engagement arrangements. As part of this review, the Board considers GC100 guidance on directors' duties under section 172 of the Companies Act 2006.

Our key stakeholders

The Purpose, Strategy, Culture, Values and Business Model section of this Report (page 11) includes a description of our business model. The following are the key stakeholders on which our business model depends:

Group	Financial Services	Surveying & Valuation	Estate Agency Franchising
Shareholders			
Colleagues	Colleagues	Colleagues	Colleagues
	Mortgage and protection brokers and their customers (consumers)	Lenders and consumers	Franchise partners and their customers (consumers)
Suppliers	Suppliers	Suppliers	Suppliers
UKLA, HMRC, FRC	FCA	RICS	TPO and NTSEAT

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

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

Additional information on our stakeholder engagement is included in the Environmental, Social and Governance Report (page 50), the Corporate Governance Report (page 65) and the Living Responsibly Report 2024.

Stakeholder engagement arrangements and 2023 activities

Shareholders

Institutional shareholders

Members of the Board regularly meet institutional shareholders, for example the Executive Directors will meet with shareholders usually after the release of our full year or interim results or when we announce a significant project. Further, during 2023, the Chair engaged with shareholders as part of our annual strategic review process and shared the feedback with the Board at its annual strategy meeting.

Meetings with shareholders following the announcement of our results typically include a review of 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 full year and interim results.

The UK Corporate Governance Code requires company chairs to regularly engage with major shareholders, to understand their views on governance and performance against strategy. We therefore offer our major shareholders 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 shareholders to discuss specific issues, such as Remuneration Policy or Board appointments.

We also ensure that shareholder meetings are factored into Director inductions as appropriate, especially for anyone appointed into one of the senior Board roles (Chair, SID, Group CEO or Group CFO).

Our Stakeholder Engagement Arrangements

Following Darrell Evans' appointment as Interim Chair on 26 February 2024, we wrote to our top 20 shareholders, including institutional and individual shareholders and offered meetings with him. Many shareholders took up this offer and these meetings took place in the days following the appointment. Some shareholders also met with the Executive Directors and the Non Executive Directors. Feedback from these meetings was shared with the Board.

Throughout each year, we ensure that all Directors understand the views of significant shareholders, by sharing feedback received from the corporate advisers or other members of the Board and by distributing analysts' reports to the Board.

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 page 203 for contact details).

Individual shareholders

In addition to the above engagement processes, typically covering major institutional and target investors, questions from individual shareholders are dealt with directly by the Executive Directors. Our AGM also provides an opportunity to interact with the Board. At our 2024 AGM our Directors will be available to meet shareholders as usual.

In addition, we engage with our shareholders by:

- Publishing information on our website (lslps.co.uk). This includes all regulatory news announcements as well as copies of presentations, financial reports, shareholder notices and our corporate sustainability reporting, which is set out in our Living Responsibly Report 2024.
- Holding a general meeting when required.
- Responding to email enquiries.
- Feedback received via our corporate brokers, Deutsche Numis and Zeus.

This reflects our aim to give shareholders fair and appropriate access. For example, while the Chair and Executive Directors have met with significant shareholders as part of their induction, smaller shareholders can email us or attend the AGM to meet with them and other members of the Board. Contact details can be found in the Shareholder Information section of this Report.

Colleagues

Colleague surveys are a key tool for engaging with our people. In 2023, we engaged a new survey provider to help us understand changes to our workforce, following the reduction in colleague numbers due to the Group's strategic projects. The 2023 survey received a 77% response rate (2022: 60%) with an engagement score of 73%. The use of a new colleague survey process in 2023 means we do not have a comparable 2022 engagement score. The survey results are shared in detail with the Executive Committee, Divisional management teams, our Colleague Forums and the Board. See the Environmental, Social and Governance Report (page 50) for further details.

Our Colleague Engagement, Inclusion and Diversity, and Communities forums (together the Colleague Forums) all revised their memberships following the Group simplification. The chairs of each Colleague Forum report regularly to the Group CEO and the Living Responsibly Steering Committee (SteerCo) on their discussions and activities, with onward reporting to the Board and its Committees. We also have Divisional colleague forums, which report into Divisional management teams.

During 2023 Darrell Evans was our designated Non Executive Director for workforce engagement. During the year he met with the Colleague Engagement Forum and contributed to Board discussions on colleague views, ensuring the Board can effectively consider colleagues in its decision making. Following the Board changes in February 2024, Gaby Appleton took over as our designated Non Executive Director for workforce engagement and she will meet with the Colleague Engagement Forum in 2024.

The Inclusion and Diversity, and Communities forums meet regularly online and in person and at least twice a year, one of those will be held as a joint conference attended by the Group CEO and Executive Committee Sponsors. During 2023, the Inclusion and Diversity Forum launched three Group-wide colleague affinity groups, covering cultural, LGBT+ and gender matters. We call the groups LSL Voices and hope to launch additional Voices during 2024. For further details on the Inclusion and Diversity, and Communities forums, see the Environmental, Social and Governance Report (page 50) and the Living Responsibly Report 2024.

Throughout 2023 we experimented with Group-wide webinars to provide updates on Group news to colleagues, including Q&A sessions with the Group CEO and Group CFO. These were well received by colleagues and we plan to schedule more for 2024. We also keep colleagues informed through emails from the Group CEO and Divisional managing directors, on matters such as business performance, supplemented by Divisional communications and events, including updates on intranet sites and message boards. We publish a regular Group email newsletter (LSL Focus), which includes a round-up of news, interviews, celebrations and updates from across the Group. In 2023 we rebranded the publication and moved from quarterly to bi-monthly editions. All colleagues are invited to contribute.

In November 2023 we held our first Group-wide Senior Management conference since the Group simplification. The day included updates from the Group CEO, Group CFO and the Divisional managing directors. The Chairs of our Inclusion and Diversity, and Communities forums were also invited to present and challenge the attendees to think about how they can support the Forums.

We operate all-employee share schemes, such as the BAYE/SIP and SAYE, to provide a way for colleagues to acquire shares in LSL. The BAYE/SIP scheme allows colleagues to save up to £150 per month and buy shares in LSL in a tax efficient manner. For every five shares bought through the plan, we also award one matching share. Colleagues who participate in this plan also benefit from dividends which are reinvested in the plan, aligning their interests with shareholders. The SAYE scheme enables colleagues to save monthly, with the opportunity to buy LSL shares at the end of the saving period. During 2023, following the Group simplification, we launched our first SAYE since 2021 and 20% of our colleagues took up the offer to start saving (2021: 16%).

In 2020, we awarded £500 of free shares to all colleagues, to recognise their contributions during the pandemic. These shares vested in 2023. The awards we made in 2021 will vest in 2024. These free share awards also align colleague interests with our shareholders and help us to retain colleagues within the Group.

LSL has whistleblowing arrangements to enable colleagues to raise concerns. Each year Group HR hosts a 'Speak Up' week, during which colleagues are encouraged to raise serious concerns in confidence. With support from Internal Audit, any issues notified are investigated and addressed.

Customers

All Group businesses seek regular feedback from customers, which informs our decision making and the improvement and development of our products and services.

The Group's key customers are:

a. **Financial Services Network:** mortgage and protection brokers (appointed representatives and FCA authorised firms) and their customers.

b. **Surveying & Valuation Services:** lenders for valuations and data services; and consumers for private surveys.

c. **Estate Agency Franchising:** franchisees.

Each Division has arrangements to manage customer relations, which include obtaining customer feedback through relationship management meetings, formal questionnaires, mystery shopping exercises and focus groups. e.surv also used Trustpilot to gather feedback from its B2C customers.

Each Division monitors KPIs and management information relating to its customer service, including complaints information and adherence to agreed service levels for corporate clients. We also have client relationship management arrangements. Additionally, e.surv monitors its Trustpilot scores in relation to B2C customers.

Delivering high-quality services is important for customer satisfaction and retention, especially in the Financial Services Network and Surveying & Valuation businesses, as customers can switch to an alternative supplier. In the franchise business, franchise partners enter into longer-term contracts, which include post-termination restrictions to protect the franchisor's interest.

Our predominately business-to-business service model means that, by delivering good-quality services to our customers, we also support the delivery of their services to their customers which in turn generates revenue for the Group.

Division	LSL customer receives	LSL customers deliver	LSL financial impact
Financial Services Network	Compliance, technology, business development and other business support services	Mortgage, pure protection and general insurance advice and sales to their customers (consumers)	Receive payments directly from brokers, plus procuration fees and commission shares from product providers
Surveying & Valuation	Valuation and data services which support lenders' origination and management of mortgage assets	Mortgages to consumers and businesses	Payment for valuation and data services
	Consumers receive surveying and home report services	–	Payment for services
Estate Agency Franchising	Technology, brand and other business support services	Estate agency and associated services to consumers	Receive a franchise fee which is a percentage of franchisee revenue

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.

Below are some examples of how we engaged with our customers in 2023 and our plans for 2024:

Financial Services Network

- Feedback from brokers on product provider performance, as part of an annual awards structure and via an annual broker survey exercise.
- Informal feedback obtained through small group engagement meetings and on specific topics.
- Interactions with brokers via meetings with the Regional Sales Directors and via attendance at regional and national events, including the annual PRIMIS Live Conference, which in 2024 was held at Wembley Stadium and in 2023 was held at the conference centre in Telford.
- During 2024, PRIMIS is setting up a Broker Council to further enhance the broker engagement arrangements.

Our Stakeholder Engagement Arrangements

Surveying & Valuation

- Relationship Managers support each lender relationship, with regular meetings to discuss service performance and any other issues relating to services, including matters detailed in our agreement with the lender.
- Trustpilot scores are monitored for B2C customers. In 2023, e.surv significantly increased both the response rates and overall volume of Trustpilot reviews for completed surveys, with 92% of reviews rated as 5 stars and an overall average TrustScore of 4.8 (excellent).

Estate Agency Franchising

- In 2023 we established a Franchise Advisory Council, made up of franchisees selected to represent all franchisees. Its purpose is to discuss topics raised by the franchise partners or LSL and provide a feedback mechanism between Estate Agency Franchising and its franchise partners.
- We interact and seek regular franchisee feedback as part of our events programme, including the Annual National Conference which in 2023 was held at the Belfry Hotel. We also held regional in person and a series of online events during the year.

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 ESG programme, we had planned to develop a Group-wide supplier code of conduct which is based on e.surv's model (described below). This project was placed on hold while Group restructuring projects were progressed. During 2024, we intend to progress towards establishing a Group-wide supplier code, as part of a supplier management framework, and taking into account best practices already established within the Divisions.

Within e.surv, suppliers are managed via procurement and supplier policies which include commitments to ensure that our purchasing and contracting activities are aligned with our values. We also risk rate our suppliers by reference to their levels of access to our data and systems. Suppliers are also continually monitored to identify changes in service to monitor risk and evaluate the supplier's security posture.

e.surv also appoints relationship managers which meet regularly with each supplier to manage its performance.

Details relating to our payment practices are included in the Environmental, Social and Governance Report (page 54).

See also below our Directors' Duties Statement for examples of how shareholders, colleagues and customers were considered in the Board's decision making during 2023.

The Environmental, Social and Governance Report (page 50) also describes how our businesses communicate with customers and suppliers.

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

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

To support the Board, Management is required to identify the stakeholder groups impacted by any proposals submitted for approval and explain those potential impacts. During 2023, as part of the review of the Remuneration Committee's arrangements, we put the same protocol in place.

The following examples demonstrate how the Directors have considered stakeholders in their principal decisions during the year.

s172 examples

During the year we have significantly restructured both our Financial Services and our Estate Agency Divisions. Both are now focused on business-to-business services and as a result our Financial Services and Estate Agency Franchising Divisions are less exposed to the housing market cycle. Set out in the table below are three examples of how the Directors discharged their duties under s172 of the Companies Act 2006.

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 broker businesses**	**Example 2 – Franchise of the Estate Agency Networks**	**Example 3 – Acquisition of TenetLime**
	We disposed of our D2C broker businesses: RSC, Group First, Embrace Financial Services and First2Protect.	We franchised our entire owned estate agency network of 183 branches. This included entering into long-term franchise agreements. Following completion, we became one of the largest providers of estate agency franchise services in the UK.	We exchanged contracts to acquire TenetLime, to add to the PRIMIS Network. Completion was subject to FCA approval, which we received in November 2023, resulting in the transaction completing in February 2024.
a. Likely consequence of any decision in the long term.	The four 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 it is better placed to grow these businesses for the benefit of shareholders.	The owned branches were franchised to existing franchisees and experienced former members of the Estate Agency management team. The enlarged franchise network of over 300 territories is operated by 62 franchisees. Franchising the network resulted in significant cost reductions and the Estate Agency Franchising Division is less capital intensive.	The addition of TenetLime significantly expanded the PRIMIS Network, adding over 250 mortgage and protection advisers and 153 firms. The acquisition enables us to leverage our existing network infrastructure, to deliver synergies and enhance the Group's margin.
b. The interests of our colleagues.	Colleagues employed in these businesses are no longer part of the Group and, where they received Group benefits (such as options under employee share schemes), we have put in place arrangements to protect their benefits.	Colleagues employed in these businesses are no longer part of the Group and, where they received Group benefits (such as options under employee share schemes), we have put in place arrangements to protect their benefits.	A small number of colleagues have joined PRIMIS as a result of the acquisition and they now benefit from our employee arrangements. We also ensured that we considered their existing terms of employment as part of their transfer into the Group.
c. The need to foster the company's business relationships with customers.	Following the disposal of the D2C broker businesses their customers continue to be served by these businesses under their new ownership.	In developing our franchise business our franchisees are now our customers and we are fostering our relationships with the franchisees. Our previous customers (people buying/selling or renting homes) are now customers of our franchisees and continue to benefit from Group services as they form part of the services that our franchisees provide to their customers.	In developing our Financial Services growth strategy, we have sought to ensure that our now enlarged network members and their customers benefit from the services we provide.
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 where we have identified an impact.	We also sought to ensure there is no adverse impact on our suppliers arising from the franchising of the network and have engaged with our suppliers, many of whom continue to supply services to the network.	As part of the migration into the PRIMIS Network we have sought a smooth transition into the network and this involved engaging with our suppliers to ensure this is achieved.
e. The impact of the company's operations on the community and environment.	As a result of the disposals, we no longer provide services from locations where the disposed businesses operate. However, the impact on local communities is mitigated as the businesses are expected to continue to operate from those locations.	As a result of the franchising, we no longer directly provide services from the locations where the businesses operate. However, we are still supporting those communities by appointing franchisees to operate their business in the territory. Further, the impact on local communities was mitigated as the franchised businesses continue to operate from those locations.	The acquisition has had no impact on the locations where PRIMIS operations are based.

f. The desirability of the company maintaining a high standard of business conduct.	The disposed D2C broker businesses remain customers of the PRIMIS Network, which provides services that support the business continuing with its high standards of conduct.	The territories have been franchised to existing franchisees and to previous colleagues who had experience and a track record of operating estate agency businesses while demonstrating high standards of business conduct. Further, as members of the LSL franchise networks, they will continue to operate in accordance with our franchise standards.	The TenetLime firms will be subject to PRIMIS's high standards of compliance and business conduct standards.
g. The need to act fairly between members of the company.	The disposals deliver value to shareholders, especially as it reduces our exposure to market cycles and focuses our investment on high-growth areas, notably our Financial Services Networks, while we benefit from further growth by our shareholding in Pivotal Growth.	The franchising of the networks delivers value to all shareholders, especially as it reduces our cost base and our exposure to housing market cycles. It also focuses our investment on the delivery of business-to-business services.	The acquisition delivers value to all shareholders as part of our growth strategy. The increase in membership will help us to further invest in our service offering to member firms, as well as delivering scale economies to support further growth. The acquisition also underpins our leading position in the mortgage and protection network market.

Principal Risks and Uncertainties

Our risk framework

Effective risk management is critical to delivering our purpose. We adopt a prudent approach to risk management, taking only those risks which support our strategy and managing them rigorously through effective governance.

Our risk management processes have been in place throughout 2023 and have continued to operate through to the date of this Report. Our risk management processes ensure we appropriately manage the risks that arise from our activities by:

a. A rigorous assessment of our principal risks and uncertainties, including those that would threaten our business model or future performance, or increase the potential for customer harm.

b. Robust decision making, ensuring we take the right risks in a considered way that supports the strategy and maintains our reputation for high standards of business conduct.

c. Ensuring the risks we take are understood, controlled and managed appropriately.

We have adopted a 'three lines of defence' approach to risk management:

a. *First line* – line management are accountable for day-to-day operations and have responsibility for the management and ownership of risks and controls within their business units.

b. *Second line* – risk and compliance teams are responsible for the oversight and challenge of the first line in its day-to-day management, control, monitoring, and reporting of risks. Our risk and compliance teams are independent of the management personnel responsible for originating risk exposures.

c. *Third line* – Internal Audit provides independent assurance to the Board, Audit & Risk Committee and senior management over the effectiveness of our risk management control and governance processes.

Each of our Divisions has risk management arrangements, systems and controls which feed into the Group's overall arrangements. Divisional Chief Risk Officers (CROs), Heads of Risk, and governance forums oversee Divisional risk management frameworks, which involve the use of risk metrics, policies, risk and control assessments, risk treatment plans and tracking of emerging risks.

The Group's Audit & Risk Committee oversees Divisional risk management arrangements, including their top and emerging risks. The Committee also regularly reviews the Group's principal risks and uncertainties, including an annual review to confirm the effectiveness of risk management and internal control systems, which involves considering emerging risks and the outputs of our stress testing routines.

For example, consideration has been given to recent FCA regulatory themes including vulnerable customers, diversity and inclusion and later life lending in the Financial Services Division, as well as the embedding of the FCA's new Appointed Representative Regime and the new Consumer Duty requirements. In the other Divisions, the Management have monitored the progression of the Renters Reform Bill through Parliament and monitored the management of capacity measures within e.surv following improvements in instruction levels.

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.

2023 risk framework and control environment developments

We continued to invest in and enhance our risk management arrangements across the Group. For example, outlined below are key risk management developments completed during 2023 within our Financial Services Network:

a. To support new FCA consumer duty requirements, we introduced enhanced processes to assess and oversee the delivery of good outcomes.

b. We made changes to the Division's people resourcing and governance arrangements, including appointing a new experienced managing director and appointing an independent non executive chair together with introducing three further Divisional non executive director roles including the movement of the previous managing director into a new non executive role with responsibilities for a Members Council.

c. We invested further in the Division's risk and compliance capabilities, including enhancing the Enterprise Risk Management framework.

2024 risk framework and control environment development plan

Our risk plans for 2024 include:

a. An independent review of Group risk management framework initiated in the first quarter of 2024.

b. Further strengthening the Financial Services Network's governance structure, with the rollout completed in January 2024 of new PRIMIS combined board committees chaired by independent non executive directors (Audit & Compliance, and Risk & Customer Outcomes).

c. Enhancing Group governance routines which oversee the effectiveness of activities to manage information security, data protection and business resilience risks.

d. Continued progression of our Living Responsibly ESG programmes, which includes managing ESG-related risks, promoting diversity and inclusivity, and encouraging community and environmental initiatives.

e. Maintaining our horizon-scanning routines, reassessing our risk management resourcing and continuing to evaluate the effectiveness of linkages between Group and Divisional risk frameworks.

Principal Risks and Uncertainties

Our risk profile

The Board has assessed our principal risks, including emergent areas. The Board performs this exercise twice yearly as part of its agenda, incorporating insights obtained from the Audit & Risk Committee and routines involving the Executive Committee, Divisional CROs and Internal Audit.

Our principal risks and uncertainties are outlined below. These are the most significant risks that may adversely affect our business strategy, financial position or future performance. There have been no changes to our individual principal risks and uncertainties categories. We consider our overall risk exposure to be stable. Increased risks have arisen from influences such as poor economic conditions, heightened IT security threats and new regulatory requirements, whilst the execution of strategy initiatives and change programmes have resulted in less exposure to market cycles in our Financial Services and Estate Agency Franchising Divisions, a lower cost base and focus on business-to-business services delivering good customer outcomes.

Nature of principal risk and uncertainty	Mitigating actions	Gross trend (pre-mitigating actions)
EXTERNAL:		
1. UK housing market		
The cyclicality of the UK housing market exposes the Group to volatility in housing transaction volumes. The UK economic environment remains challenging with fewer housing transactions, lower house-price inflation, cost of living pressures and reduced mortgage lending. Reduced product transfer volumes also impact adversely on valuation volumes. The effects of ongoing geopolitical tensions and future elections further increase the levels of uncertainty in the markets.	• Maintained strong capital and liquidity levels. • Sale and franchising of estate agency services has resulted in a lower fixed cost base, less exposure to housing market volatility and a revised platform from which to grow a more resilient B2B client portfolio. • Divestment of selected Financial Services units has lowered our cost and capital base. • Proactive management of the Surveying & Valuation Division's cost base, while maintaining capacity to meet lender long-term demand with emphasis on expanding D2C channels and exploring new service offerings. • Ongoing focus on business efficiency and cost management.	Stable
2. Market disruption		
We may be exposed to competitive pressures from market participants, including new entrants, disruptor business models (including direct sales mediums), artificial intelligence platforms and disintermediation threats.	• Ongoing monitoring of market disruptor activity, with consideration of response plans for related threats and opportunities. • Established governance arrangements to support new technology, service and product initiatives.	Stable
INTERNAL:		
3. Execution of strategy		
We might not effectively execute our strategic initiatives and associated capital allocations, and therefore fail to deliver the required levels of Group growth. Successful steps taken along these pathways in 2023 have restructured the Group, reduced our cost base and simplified our activities. This has reduced levels of gross risk for this category since last year.	• Regular assessment of strategy driven by Executive Committee members, with oversight from the Group CEO, Group CFO and the Board. • Simplification of the Group makes the associated risks easier to manage. • Continuing to build on the Group's new business model, post-simplification. • Financial Services Network has grown through acquisition (TenetLime).	Decreasing

4. Professional services		
We may receive claims arising from systemic lapses in the delivery of professional services across the Group. Relevant risk factors include lending practices, mortgage product types/mix, economic conditions and the adequacy and availability of insurance to cover potential claims.	• Governance routines ensure we monitor relevant claims trends and put in place appropriate insurance arrangements. • Limited exposure to products with higher risk features and complexities. For example, our Financial Services Network businesses do not supervise investment advice and the mortgage valuation activities in the Surveying & Valuation Division are linked to mainstream lending, rather than sub-prime. • Following the franchising of our Estate Agency services, customer claims exposure now principally lies with franchisees.	Stable
5. Client contracts		
Significant falls in business volume could arise from the loss or withdrawal of key B2B clients, brokers and/or franchisees. We must maintain service delivery levels and relationships with key profitable B2B clients, brokers and/or franchisees.	• Ongoing monitoring and renewal of key contracts, to reduce the risk of volume shortfalls. • Product and market diversification initiatives reduce any over-dependencies. • Benchmarking of product and service propositions, to ensure we are delivering value versus market-leading standards. • Ongoing rigorous oversight and delivery of service levels via dedicated relationship managers. • Ongoing monitoring of financial health of PRIMIS Network member firms and Estate Agency franchisees.	Stable
6. Business infrastructure (including technology)		
We may fail to maintain robust systems and technology to promote our competitiveness and client servicing. The environment involves multiple change management initiatives, integration of IT platforms and maintenance of resilient 'business as usual' IT systems for employees, appointed representatives, franchisees and clients. Our customers rely upon our systems and services being available when they need them.	• Prioritised strategic investment in our systems and technology capability to promote efficiency and meet customers' current and future needs. • Continue to strengthen our internal control environment to improve resilience and proactively monitor service provision.	Stable
7. Information security (including data protection and cyber threats)		
The threat of cyber-attacks continues to increase with ongoing geopolitical tensions, advancement of threat vectors (including artificial intelligence) and supplier dependencies, all posing a threat to the Group, our colleagues and our customers. A cyber-attack could have a range of negative consequences, including making our systems unavailable, the loss of critical data or leaks of confidential information about our business, colleagues or customers. This in turn could lead to loss of business, damage to our reputation and/or regulatory fines.	• Continuous monitoring of the cyber threat level and investment in our cyber defences, to ensure we are able to respond appropriately. • The Data and Information Security Committee (DISC), along with dedicated Divisional information security specialists and Data Protection Officers, oversee adherence to Group defined information security minimum standards. • System security is supported by penetration testing, intrusion scanning, secure back-up routines, encryption of key data and a robust access control framework. • Ongoing investment in training and education ensures our colleagues remain vigilant in everything they do.	Increasing

8. Regulatory compliance		
Our regulatory landscape includes FCA rules and consumer protection laws. We embed a steady flow of recent and emerging requirements, including environmental standards, consumer duty, the appointed representative regime and tenancy reforms. Regulators have also focused recently on specific product areas, such as general insurance and later-life lending. Changes to regulations can increase our compliance costs. Failure to comply with regulations can lead to fines, damage to our reputation and loss of business.	• Executive and non executive risk management committees in place supported by compliance and risk teams. • Structured initiatives in place to identify and deliver relevant regulatory changes promptly and proportionately. • Engagement with all our regulators, to identify and appropriately respond to regulatory requirements. • Successful delivery of recent Consumer Duty and AR Regime requirements. • Reduced regulatory risk exposure in estate agency activities through implementation of franchise model, with the franchisee retaining the core compliance obligations.	Stable
9. Environmental, social and governance (ESG)		
Failure to identify and effectively manage sustainability risks critical to our business could affect our productivity, reputation, colleague engagement and retention, and/or market value. Climate-related risks are an emerging area. Refer to the TCFD and CFD reporting on pages 34 for further details.	• Living Responsibly ESG programme promotes our business as a great place to work, encouraging diversity and inclusion, ensuring effective arrangements for colleague dialogue and feedback, minimising our impact on the environment and promoting excellent governance. • The Group CEO sponsors our Living Responsibly ESG programme and Chairs the Steering Committee, with Executive support. • Standalone sustainability report (Living Responsibly) published annually to ensure transparency of progress against targets and to promote engagement with relevant stakeholders. • Group Head of ESG appointed in 2023, following an internal promotion, provides support to Group and Divisional arrangements. • Engagement with colleagues via the Group's colleague forums, Divisional working groups, colleague surveys and training initiatives.	Stable
10. Colleague resources, talent and expertise		
Failure to attract, develop and retain talented colleagues may affect our ability to deliver our strategic priorities. The risks are influenced by the size of our colleague population and external economic factors such as labour supply shortages.	• Group governance routines, policies and initiatives, overseen by the Remuneration and Nominations Committees, to recruit and retain talent in key strategic roles. • Simplification of the Group's activities have reduced the scale and associated risk of the employee cost base. • Focused on strengthening senior governance and risk-related roles within our Financial Services Network, including the appointment of a new managing director and independent non executive appointments supporting Divisional board and new committee structures. • Colleague surveys, our Colleague Forums and welfare initiatives enable us to identify and address colleague pressures and to promote an open culture.	Decreasing

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 purpose, business model and strategy are central to understanding our prospects and are detailed earlier in this Report (page 11).

The Board assesses the Group's prospects throughout the year and particularly during the strategic, three-year planning and budget processes. This includes an annual review of our plans, which is led by the Group CEO and Group CFO, with input from Executive Committee members who run our Divisions and Group 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 reviewed the latest updates to the three-year plan in November 2023 and, in assessing the Group's viability, considered our current position and our prospects of operating over the three-year period ending 31 December 2026.

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 2026 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 30% versus 2023, 16% below the level seen during the last recession in 2008, caused by economic conditions (such as high inflation and interest rates and reduced availability of debt funding), or political or other uncertainties, or a combination of these issues.
- 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.
- A material one-off regulatory fine over £1m following a data breach, assuming any insurance recovery would not occur within the planning window.

We modelled detailed assumptions 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. We have also considered climate-related impacts but our current assessment is that this would not be material enough to impact our viability during the planning window.

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 (via our Estate Agency franchisees) and asset management, which account for c30% 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 2026. 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 2026. 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. This includes the assumption that a successful renewal of the £60m facility is achieved before the expiry of the current facility.

We also modelled a reverse stress scenario, to assess the level to which market conditions would have to deteriorate before we would breach our banking covenant ratio of 2.75x Net Debt: adjusted EBITDA (with a ratio of 3.00x allowable for two consecutive test periods within the terms of the current banking facility). 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 16% below the financial crisis of 2008 in the first year of assessment with no material recovery, which is equivalent to a 30% fall in comparison to 2023. We consider the likelihood of this 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 banking covenants 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 2023, the Audit & Risk Committee oversaw the process by which the Directors reviewed and discussed Management's assessment in proposing this viability statement.

Non-Financial and Sustainability Information Statement including TCFD and CFD reporting

Non-Financial and Sustainability Information Statement

The table below includes information required by section 414CB of the Companies Act 2006:

Reporting requirement	Cross reference/location of reporting	Page
Climate-related financial disclosures	TCFD and CFD reporting below	
• **Environmental matters (including the impact of our businesses on the environment)** • **Our colleagues** • **Social matters** • **Respect of human rights** • **Anti-bribery and corruption matters**	Corporate Governance Report Environmental, Social and Governance Report Stakeholder Engagement Report Living Responsibly Report 2024	65 50 23 See separate report
Business Model	Purpose, Strategy, Culture, Values and Business Model	11
Non-financial policies	The Environmental, Social and Governance (ESG) Report includes overviews of our policies relating to: • Human rights and modern slavery • Anti-corruption and bribery • Whistleblowing and speak-up arrangements • Health and safety • Colleague employment policies	50
Principal risks relating to the non-financial matters and how these are managed	Principal Risks and Uncertainties	29
Non-financial KPIs	Environmental, Social and Governance Report Report Corporate Governance Report Living Responsibly Report 2024	50 65 See separate report

Climate-related financial disclosures

The disclosures contained in this section of the Report have been prepared in accordance with the following reporting requirements:

1. The Companies Act (section 414CB(2A)).
2. Listing Rules (chapter 9).
3. Task Force on Climate-related Financial Disclosures (TCFD).
4. Companies (Climate-related Financial Disclosure) Regulations 2022 (CFD).
5. Streamlined Energy and Carbon Reporting (SECR) (specifically the requirements to disclose greenhouse gas emissions, energy consumption, energy efficiency action are set out in Schedule 7 of SI2008/410).

TCFD and CFD

This section of the Report includes our disclosures against the TCFD recommendations, as well as the requirements of the CFD and the Listing Rules.

In the table below, we provide disclosures which are consistent with all 11 TCFD recommendations and we confirm our compliance with the CFD disclosure requirements. The table also explains the steps we are taking during 2024 to improve our climate-related arrangements. During 2024, the EWG will lead our climate-related risk and opportunity assessment approaches across our Group. Whilst we are compliant with all of the TCFD disclosure requirements, we intend to focus and improve our reporting on strategy (2a) and risk management (3a).

TCFD required disclosure	Reporting and compliance	Further information/cross-references to sections within this Report
1. Governance ***Disclose the organisation's governance around climate-related risks and opportunities***		
a. Describe the Board's oversight of climate-related risks and opportunities	*Board oversight:* • Our governance arrangements for assessing and managing climate-related risks and opportunities are described in the Climate-related Governance section below. • Reporting to the Board and to the Audit & Risk Committee includes reporting on climate-related risks and opportunities. In 2023, the Board reporting was submitted via the Living Responsibly ESG reporting, and the Audit & Risk Committee also reviewed our TCFD and CFD reporting (including climate-related risks) as part of the review of this Report. ESG risks are also included in our Principal Risks and Uncertainties. • In 2023 the Board received an update on the changing regulation and what this meant for them within the Living Responsibly ESG update. • Our arrangements reflect the Group's operating model and describe how the Board and the Audit & Risk Committee provide oversight of our climate-related arrangements.	*Corporate Governance Report (page 65)* *Principal Risks and Uncertainties (page 29)* *About LSL and Business Model (pages 03 and 11)* *Directors' Report (viability statement) (page 33)*
b. Describe Management's role in assessing and managing climate-related risks and opportunities	*Management's role:* • Our Living Responsibly ESG programme is sponsored by the Group CEO and it includes our environmental programme. • Further details on Management's role in our arrangements is outlined in the Climate-related Risk Assessment Methodology section below. • Our arrangements in 2023 include establishing a climate-related working group (CRWG), which has contributed to the assessment of climate-related risks and opportunities. • Management has also considered climate-related impacts and concluded that the impact is not material enough to impact our viability during the planning window – for further information see the viability statement (included in Principal Risks and Uncertainties). *Reporting*: • We have during 2023 developed our climate-related reporting to ensure compliance with both TCFD and CFD. We are where appropriate engaging with professional advisers to support our reporting. • Our climate-related reporting is led by the EWG with support from our Head of ESG who is enrolled on a Business Sustainability Specialist Masters programme. By upskilling our colleagues, we are strengthening our internal arrangements.	

<table>
<tr><th>TCFD required disclosure</th><th>Reporting and compliance</th><th>Further information/cross-references to sections within this Report</th></tr>
<tr><td rowspan="3">2024 priorities</td><td>Development of Board and Audit & Risk Committee oversight arrangements:
• Review the processes and frequency for informing the Board and Audit & Risk Committee about climate-related matters, including monitoring the meeting of any targets, which will be recommended by the EWG.
• Review how the Board and Audit & Risk Committee consider climate-related matters in its decision making including in relation to strategy and risk management.</td><td rowspan="3"></td></tr>
<tr><td>Development of management arrangements:
• Review, develop and support the roles of the EWG and CRWG within the environmental strand of our Living Responsibly ESG programme, including how the Group assess and manage climate-related risks within our Divisions.
• Ensure risk management frameworks fully integrate climate-related risks.
• Ensure business planning considers climate-related risks and opportunities.</td></tr>
<tr><td>Training and education:
• The EWG will monitor the delivery of colleague education and training as part of our climate transition plans.
• We will develop this education and training based on the work e.surv have undertaken in 2023, because their environmental programme is further developed than the rest of the Group.</td></tr>
<tr><td colspan="3">2. Strategy
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material</td></tr>
<tr><td>a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term</td><td>• Our key climate-related risks and opportunities are described in the climate-related risks and opportunities section below.
• The time periods we applied to our assessment are:
– short term (0-3 years);
– medium term (4-9 years); and
– long term (10+ years).
• These time periods were chosen because they reflect best practice and they fit in with our normal planning cycles:
– short term (0-3 years) aligns with our three-year planning cycle; and
– medium term (4-9 years) was selected to include 2030 due to the significance of this date to UK transition plans and our lender clients. It also includes the date for phasing out new petrol and diesel cars.</td><td></td></tr>
</table>

TCFD required disclosure	Reporting and compliance	Further information/cross-references to sections within this Report
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	• Following the restructuring completed during 2023, our Divisions are asset light, resulting in limited exposure to physical climate-related risks. • Our businesses provide B2B services which generate relatively low levels of Scope 1 and 2 emissions. We report our Scope 3 emissions for the first time in this Report. • We have, in 2023, focused on progressing our environmental programme and our climate-related reporting.	
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	• Our strategic objectives include focusing on our Living Responsibly ESG programme. • We have performed scenario testing on the impact of the climate-related risks and opportunities. Impacts that we have identified, are described in the resilience testing section below. • Our assessment is that we have appropriate mitigations in place to ensure that the climate-related risks and opportunities will not have a material impact (including financial) on our business model or strategy. We will keep this under review if our assessment of the risks and opportunities changes.	*Purpose, Strategy, Culture, Values and Business Model (strategic objectives) (page 11)* *Scope 3 emissions reporting (page 47)*
2024 priorities	• Complete work to further understand and set targets for reducing Scope 3 emissions, including our net zero target, taking into account the Group restructuring completed during 2023. • We will also update our climate transition plan to reflect the Group restructuring. • Continue to develop our response to climate-related issues and our modelling to assess different climate-related scenarios.	
3. Risk management ***Disclose how the organisation identifies, assesses, and manages climate-related risks.***		
a. Describe the organisation's processes for identifying and assessing climate-related risks	• Our governance and risk management arrangements include Divisional risk frameworks. Each Division has a Chief Risk Officer or Head of Risk (referred to in this Report as the CRO), who is part of each Division's management team and is the link between Group and the Divisional management teams when identifying climate-related risks. • During the year, the CROs participated in the CRWG to consider and review the impact of climate scenarios on their Division. This resulted in the completion of the risk assessment. Any risks emerging as material (using existing Divisional risk frameworks) were included in each Division's risk registers. • The CROs are each responsible for ensuring climate-related risks are integrated into Divisional risk management arrangements. • Further information on materiality and the LSL response is included in the climate-related risk assessment section below.	*Audit & Risk Committee Report (page 85)* *Principal Risks and Uncertainties (page 29)*
b. Describe the organisation's processes for managing climate-related risks		
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management		
2024 priorities	• The EWG and the CRWG will work to further develop our arrangements for assessing and managing climate-related risk and opportunities, building on the work we completed in 2023. • Continue to review climate-related risks and opportunities identified in 2023, taking into account the Group's restructuring, and update them if necessary. • Ensure climate-related risks are included in the continued development of our Group risk framework and arrangements.	

TCFD required disclosure	Reporting and compliance	Further information/cross-references to sections within this Report
4. Metrics and targets ***Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material***		
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	• Our reporting on environmental metrics is set out in the climate-related metrics and targets section below, which includes our Scope 1, 2 and 3 GHG emissions reporting.	*Living Responsibly Report 2024*
b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	• Our reporting on environmental metrics is set out in the climate-related metrics and targets section below, which includes our Scope 1, 2 and 3 GHG emissions reporting. • Data collection and analysis has been a significant focus for us during 2023. Our work has been supported by Energise (net zero consultancy and sustainability expert). • We report using a financial control methodology, in accordance with the GHG protocol guidance and emissions factors. • Pivotal Growth is not included in the 2023 figures, due to the lack of available data, but will be included in future.	
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	• We have reported against the targets contained within our climate transition plan (published in 2022). • Additional environmental metrics, including the Group's baseline emissions data and Divisional emission breakdown data, are included in the Living Responsibly Report 2024. • We have not currently set any additional targets, metrics or KPIs relating to climate-related risks and opportunities.	*Living Responsibly Report 2024*
2024 priorities	• Review and update the period for benchmarking emissions data, following the restructuring completed during 2023. • As a result of the restructuring, we are not currently using any other data to manage our climate-related risks and opportunities. • Update our climate transition plan to reflect the Group's restructure and full carbon footprint, including resetting the benchmark period, taking into account the new emissions data. • EWG will continue its work to enhance our understanding of our environmental impacts and to identify and agree additional KPIs, and metrics and targets, if where appropriate/necessary. • Following further assessment and understanding of our Scope 3 emissions during 2024 the EWG will prioritise updating our climate transition plan.	

Climate-related risk and opportunities governance:

Governance structure:

Within our governance structure, climate-related issues are assessed and managed as follows:

Body	Role	Arrangements
Board	Has overall oversight of the assessment of climate-related risks and opportunities within the Group.	• Each year as part of the Board's meetings planning process, we schedule a presentation on our Living Responsibly ESG programme, which includes a report on the EWG's work. Additional presentations, including updates and progress reports, will be scheduled during each year as required. • Environmental reporting is delivered by the Chief People Officer (CPO), the Chair of the EWG and the Head of ESG, as appropriate. • The Board receives reports from the Group CEO, Group CFO and each Divisional managing director at Board meetings, which include a review of financial and operational performance, including risk matters. • The restructuring of the Group during 2023 has resulted in a need to review and re-baseline our environmental data. The EWG is leading on this work, and it will report to the Board.
Audit & Risk Committee	Oversees compliance with our corporate sustainability and ESG strategies and programme, ensures our risk framework incorporates sustainability-related risks and opportunities, and considers what is material to the business.	• Each year, the Committee reviews the Group's Principal Risks and Uncertainties (see page 29), including our ESG risks. • The Committee reviews the methodology and assessment of our climate-related risks and opportunities and provides oversight and assurance to the Board on our assessment and reporting of them. • As part of its annual meeting cycle, the Committee invites each Divisional managing director to present on all material risks, including climate-related risks where applicable. • Reporting to the Committee includes a review of TCFD and CFD and more generally the impact of climate-related matters within our financial reporting.
Remuneration Committee	Ensures that performance conditions for incentive schemes are aligned with our corporate sustainability and ESG strategies.	• The Committee considers ESG matters as part of setting the Executive Director and Senior Management remuneration arrangements. (See page 104 for more details).
Nominations Committee	Ensures consideration of our corporate sustainability and ESG strategies when reviewing Board and Senior Management appointments.	• During the year the Committee considered the skills, expertise and experience of the Board and, as part of its regular review of Non Executive skills and experience, it noted that Sonya Ghobrial, independent Non Executive Director, has expertise in ESG matters. She provides feedback on our programme and strategy each year.
Executive Directors – Group CEO	Has overall responsibility for our corporate sustainability and ESG strategy.	• David has established a Living Responsibly Steering Committee (SteerCo) which he is also a member of (see below).
Executive Directors – Group CFO	Leads reporting on risks and internal controls and is responsible for the three-year planning and budget processes.	• Group Finance, with support from Internal Audit, leads the assessment of the Group's Principal Risks and Uncertainties, which takes into account climate-related risks. • Within the three-year planning process, the Divisions identify in their business plans: (a) climate-related transition risks and related costs; (b) climate-related physical risks and related costs; and (c) climate-related opportunities and any associated revenue. • During 2024 the Group CFO is joining the SteerCo to support the development of our governance arrangements and reporting.

Body	Role	Arrangements
Living Responsibly Steering Committee (SteerCo)	Responsible for guiding our Group-wide ESG strategy, aligning it with our strategy and business model, and implementing arrangements to identify climate-related risks and opportunities.	• The Group CEO has overall responsibility for our corporate sustainability programme and he established the SteerCo to support its delivery, including climate-related matters. • SteerCo meets up to four times a year. It has also established the EWG and the CRWG (see below). • The SteerCo membership is kept under review and during 2024 the Group CFO will join the SteerCo. • During 2023 Executive Committee sponsorship of the environmental programme moved to Paul Hardy (Managing Director — Estate Agency Franchising).
Environmental Working Group (EWG)	Leads the development of our environmental strategy and programme on SteerCo's behalf, including assessing and managing Group and Divisional climate-related risks and opportunities.	• The EWG leads our environmental work and is chaired by Paul Hardy, Managing Director of Estate Agency Franchising. It co-ordinates our environmental strategy, programme and reporting, including climate-related disclosures. • The EWG works closely with the Divisions and Group functions, to ensure Group-wide alignment of our environmental work. • The EWG supports the identification of key stakeholders regarding climate-related risks and opportunities and monitors how the Group and the Divisions liaise with these stakeholders. • The EWG facilitates collaboration between the Group and the Divisions to share insights on climate-related risks and opportunities.
Climate-related Working Group (CRWG)	Identifies climate-related risks and opportunities on behalf of the EWG and reports into the EWG.	• The CRWG comprises: – EWG Chair – General Counsel and Company Secretary – Group Financial Controller – Head of ESG – Head of Facilities Management – Divisional CROs – Divisional proposition leads • The CRWG met twice in 2023, to lead the process for identifying and assessing the Group's climate-related risks and opportunities. This was done in conjunction with the Divisional management teams via the CROs. • Meetings of the CRWG will be scheduled to take place at least twice a year. The meetings will be scheduled to align with the Group's annual and three-year planning processes.

Body	Role	Arrangements
Divisional management teams	Each Division has statutory boards and Divisional management teams headed by a managing director, who is also a member of the Executive Committee which reports to the Group CEO. The climate-related risks and opportunities we face arise within the Divisions and their individual business units. This means the success of the Divisional arrangements are key to our assessment and management of these risks and opportunities.	• The Estate Agency Franchising and Surveying & Valuation Divisions report to the Group CEO and Group CFO and attend quarterly business reviews, where they discuss financial and operational performance, including risk management. • The Financial Services Network has in place a combined board with committees which the Group CEO and Group CFO attend to discuss financial and operational performance, including risk management within the Financial Services Network. • The managing directors submit regular written reports to the Board and deliver a risk presentation to the Audit & Risk Committee at least annually. • In 2023, the CROs led discussions with the Divisional management teams, to identify climate-related risks and ensured that this considered relevant stakeholder feedback where available. • The Divisional management teams include individuals responsible for proposition development. Led by the proposition teams, in 2023 the Divisional management teams were asked to identify climate-related opportunities and to ensure that this considered stakeholder feedback where this was available. • During the year the Divisional management teams contributed to the three-year planning process (see above) and the CRWG discussions. • The Divisions have a variety of approaches to environmental programmes and strategies, which are reported into the EWG. For details of Group and Divisional environmental activities, see our Living Responsibly Report 2024. • Divisional management teams undertake continuous monitoring and horizon scanning of risks, including climate-related risks.
Group functions	Central functions, including HR, Legal and Company Secretariat and Facilities provide support to Group and Divisional businesses.	• The Divisions receive support from Group functions on climate-related matters, in particular from the Group Finance, Legal and Company Secretariat, HR (Head of ESG), and Facilities teams. • In addition, the Group's Internal Audit team will include reviews of climate-related matters in its planning cycles. Internal Audit activities provide assurance on Group arrangements to the Audit & Risk Committee and the Board.

Climate-related risks and opportunities activities in 2023:

During 2023, we sought to advance our assessment and management of climate-related risks and opportunities including engaging with Energise to calculate our Scope 3 emissions and review and refine our processes around Scope 1 and 2 emissions. Our progress was impacted and limited by the Group's restructuring and the focus of management on related activities. The section below details the actions we have completed in 2023.

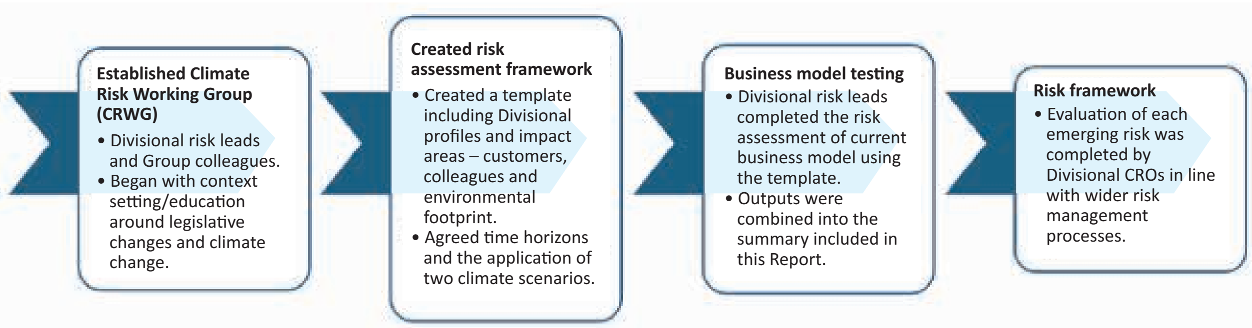
During the year, we engaged a third party to provide support to management on the development of our reporting. This was included in our reporting to the Board and the Audit & Risk Committee in relation to our compliance with TCFD and CFD. We have also factored the advice into the arrangements we have in place to enable the SteerCo, the Board and the Audit & Risk Committee to monitor our progress towards our priorities.

As part of its review of this Report, the Audit & Risk Committee (on behalf of the Board) also reviewed the methodology and analysis used to assess our climate-related risks and opportunities.

Climate-related risk assessment methodology

The CRWG led our assessment activities, providing a forum for identifying and sharing information on climate-related risks and opportunities. The CRWG met twice in 2023 to lead the process for identifying and assessing the Group's climate-related risks and opportunities. The CRWG's approach to this included using climate scenario modeling data from the *Network for Greening the Financial System* (NGFS) portal and applying these to the exposure dimensions listed with the template. In each dimension, the teams assessed the scale of the impact in the short, medium and long term.

Overview of approach applied:



We group climate-related risks into two categories:

- physical risks including those related to the physical impacts of climate change; and
- transition risks – those relating to the transition to a lower carbon economy. This could be the introduction of legislation or the costs associated with becoming net zero.

To undertake our scenario analysis, we selected two contrasting NGFS[1] climate-change scenarios 'net zero 2050' and 'current policies'. Under a net zero 2050 scenario it was recognised that the transition to net zero will be more ordered, resulting in less significant physical risks, but more transition-related risks as legislation is introduced to support the decarbonisation of the economy – particularly in the short to medium term.

Contrastingly under a 'current policies' scenario the impacts are likely to be more physical. Under this scenario the transition risks are likely to occur later, and in a less ordered way (if at all).

After agreeing a template, our Divisions assessed the impact of each scenario on the current business model in the short, medium and long term. The outputs of this work were centrally collated, including the Divisional assessment of the magnitude of the impact(s).

The risk assessment process concluded that the impact of climate change on our current business model has to date been assessed as low to medium.

The outputs of our climate-risk assessment are included in the climate-related risks and opportunities section below, and this includes any actions that are being taken during 2024 in response.

1 https://www.ngfs.net/ngfs-scenarios-portal/explore

Climate-related risks and opportunities:
The EWG is responsible for leading and supporting each Division with their ongoing review, assessment and monitoring of climate-related risks and opportunities. This is in addition to other mitigation actions – the table below includes examples:

Type of risk		Climate-related risk	Scope	Division impacted	Actions
Transition risk	1.	Customer choice driven by environmental commitments.	Suppliers Customers	All	• Engagement with customers to ensure our services align with their environmental priorities.
	2.	Increased environmental administration and B2B customer supply chain expectations.	Suppliers Customers	All	• Developing our environmental expertise across the Group and especially within the Surveying & Valuation Division in response to lender client requirements.
	3.	Costs associated with becoming net zero across all emissions scopes.	Business operations	All	• Working with Energise to assess Scope 3, and we will review our net zero pathway following this review.
	4.	Increased regulation in the property sector to improve the environmental impact of properties, which could affect the availability and affordability of housing.	Suppliers Customers	All	• Surveying & Valuation Division is building expertise in EPCs and valuation of energy efficient properties.
	5.	Ban on new petrol and diesel cars from 2035.	Business operations	All	• Transition our fleet to electric vehicles (EVs) or hybrid. • Promote salary sacrifice benefit for colleagues to move to EVs or hybrid.
	6.	Increasing need to consider climate-related impacts when assessing capital allocation/approving investment proposals.	Business operations	All	• Created an Investment Committee to oversee the Group's capital allocation policy. • Where relevant investment requests will address climate-related risks and opportunities.
	7.	Increased regulatory costs or climate-related taxes.	Business operations	All	• Monitor changing landscape.
Physical risks	8.	Impact of changing weather on colleagues including health matters.	Business operations Colleagues	All	• Additional monitoring via the Group HR team.
	9.	Properties impacted by climate conditions (e.g. floods) uninsurable and potentially unsuitable as security for a mortgage.	Suppliers Customers	Financial Services Surveying & Valuation	• Monitor.
	10.	Increased delivery cost of supplies arising from climate events.	Business operations	All	• Monitor.
	11.	Travel disruption affecting colleagues' ability to complete their work (e.g. get into offices or visit locations).	Business operations Colleagues	All	• Remote working arrangements in place to enable continued delivery of services. • Development of remote survey and valuation services.

Type of opportunity		Climate-related opportunity	Scope	Division	Actions
	1.	Increased stakeholder interest in understanding energy efficiency (e.g. via the EPC).	Suppliers Customers	All	• Investment in data services and EPC training within the Surveying & Valuation Division. • Engagement with the Mortgage Climate Action Group (MCAG) by the Financial Services Network. • Across the Group, supporting the development of relevant colleague skills and expertise in environmental sustainability matters.
	2.	'Green valuation' product offering – promoting use of local surveyors (i.e. reduce travelling distances).	Suppliers Customers	Surveying & Valuation	
	3.	Increased interest in data services from B2B clients who are looking to mitigate their own climate-related risks.	Suppliers Customers	Surveying & Valuation	
	4.	Proactive engagement and positive responses from stakeholders as a result of our improved environmental strategy and reporting.	Suppliers Customers	All	
	5.	Increasing prevalence of 'green' mortgages and green property upgrades.	Suppliers Customers	Financial Services	
	6.	Potential growth in retrofitting environmental upgrades for consumer homes.	Suppliers Customers	Surveying & Valuation	

Impact assessment

In 2023, we continued to develop our approach and assessment tools to identify and assess our climate-related risks and opportunities. The CRWG met twice in 2023 to lead the process for identifying and assessing the Group's climate-related risks and opportunities. The CRWG's approach to identifying climate-related risks and opportunities included utilising market research data sources and outputs from Divisional management teams, and in each case the likely impact on costs and revenues of each was assessed with reference to the three-year plan, and considered the materiality of any impact. As we build our capacity and capability in this area, we will review our materiality assessment alongside this. The assessment also took into consideration the gross and net (mitigated) risk impacts.

An example of our impact assessment is e.surv's risk of not retaining or securing valuations business from lenders where it does not meet the clients specific climate-related requirements. This risk is mitigated by e.surv putting in place arrangements to meet client requirements which in turn reduces the materiality of the risk.

Our impact assessment also takes place at a Divisional level, whereby (as set out in the risks and opportunities table above) different responses are required dependant on the potential gross impact in the Divisions to different climate-related risks and opportunities (i.e. commercial contract requirements in e.surv which is monitored and managed by an internal Sustainability and Business Development Collaboration Group).

During 2024 we will continue to refine the processes and approach to materiality impact assessment with the aim that climate-related risks are subject to the same identification, analysis and mitigation processes as all operational risks and that ongoing consideration is given to either one-off or continual financial impacts on the Group's businesses.

Scenario testing to assess resilience

In identifying and evaluating the Group's resilience and response to climate-related risks and opportunities, we conducted our analysis under the following climate scenarios:

i. 'Net zero 2050', where the rise in global temperature is limited to less than 2ºC.

ii. 'Current policies', whereby temperatures are likely to rise by more than 3ºC due to a higher emissions pathway.

Each scenario is presented below, with a summary of the climate-related risks and opportunities considered against the short, medium and long-term horizons, and a materiality assessment that incorporates a combined view across the Divisions.

The scenario testing is completed on a net risk impact basis. Our process for assessing the impact of climate change on our strategy is in its early stages and will be developed by our EWG and CRWG in 2024 alongside our net zero strategy. Only the risks in the table have been included in our scenario planning to date. Our impact assessment currently focuses more fully on the physical impacts of climate change.

i. Net zero 2050: global temperature rise is limited to less than 2ºC

The scenario is based on *The Paris Agreement*, under which countries have committed to limiting global temperature increases to below 2ºC above pre-industrial temperatures and to strive to limit it to no more than 1.5ºC. This scenario assumes climate policies are introduced early and become gradually more stringent across the globe. In this scenario, the transitional risks associated with moving to a low-carbon economy are a greater risk to the Group than physical risks.

We believe our business model is resilient in this scenario because the physical impact is lower. We have mitigating actions in place to manage and respond to potential impacts. For example, we regularly review our net zero pathway to understand the costs associated with becoming net zero. In particular, as outlined below we have colleagues in the Group (especially within Surveying & Valuation) focused on sustainability and we are engaging in industry-wide activity. Our EWG is looking to fully assess the costs associated with becoming net zero.

We expect the introduction of legislation and requirements to transition the economy to net zero to be delivered in an orderly manner and we are positioning ourselves to identify and respond to any changes as they arise. This includes investing in relevant teams to support our horizon scanning activities and ensure we identify emerging policy changes and their effect on our businesses early allowing us to factor these into our planning.

For example, the ESG team within e.surv supported by the Group's Head of ESG, is responsible for monitoring and ensuring we are addressing emerging environmental policy changes. In addition, through e.surv's engagement with lender clients and PRIMIS' engagement with the Mortgage Climate Action Group (MCAG), we benefit from wider-sector insights which support us in identifying emerging transitional risks to our business.

Strategy impact assessment

Scenario: Net zero 2050			
	Short term (0-3 years)	**Medium term (4-9 years)**	**Long term (10+ years)**
Risks:	**Higher transitional risks for the Group, as the markets in which it operates move to a net zero economy and our suppliers and customers seek commitment to net zero.** *Examples:* – Transition costs to enable the Group to achieve emissions commitments – Increased regulatory driven costs or carbon tax applied – The increased frequency of extreme weather conditions, resulting in business travel disruption.	**Ongoing increasing transitional risks.** – The transition costs become more widely applied across industry and society. – Reputational risk increases to maintain the pace of change and adoption, as momentum and commitment increases.	**Non-material increase in physical risks.**
Risk impact assessment[1]:	Low	Low	Low
Assumptions:	– Exclusively UK-based operations, keeping temperature increase to 1.5°C minimises suggest physical impacts would be in line with the current levels. – Current operational locations geographically dispersed, therefore unlikely to experience significant disruption at more than one location simultaneously (due to a climate event). – Around 54% of our current workforce is home-based increasing the geographical spread of the workforce. The largest group of colleagues are surveyors who are based at home but carry out property inspections meaning they spend time travelling. – Housing market will continue to operate at ten-year average activity levels.		
Mitigating actions/commitments:	– We continue to work towards our environmental commitments, to achieve net zero on our emissions in our operational control by 2040.		
Opportunities:	Opportunity for the Group to develop new data services, in response to client demand as they seek to understand environmental sustainability and the impact of climate change on their businesses.		
Opportunity impact assessment[1]:	Low across all time horizons.		

Note:

[1] Impact materiality assessment thresholds: Low – below 5% of five-year average Underlying Operating Profit, Medium – 5-10% of Underlying Operating Profit, High is above 10% of Underlying Operating Profit.

ii. 'Current policies': a higher emissions pathway whereby temperatures rise by more than 3ºC.

This is a more extreme scenario, where higher emissions are likely to lead to temperature increases of over 3ºC compared to pre-industrial times by the year 2100. As a result of the failure to transition, the physical impacts of climate change become increasingly severe. The increase in frequency and severity of extreme weather and other physical hazards pose a greater risk. Whilst it is assumed transitional risks are lower in the shorter term due to a lack of policy intervention, it may be that as the physical impacts become more prevalent, there are chaotic and uncoordinated policy introductions by Government which create a disordered operating environment.

We believe our business model is resilient in this scenario because we are relatively asset light and our operations are geographically dispersed with a high proportion of colleagues based at home, and we have mitigating actions in place to manage the potential harm caused by physical impacts.

Scenario: current policies		
	Short term (0-3 years)	**Medium term (4-9 years) to long term (10+ years)**
Risks:	**Increased frequency and severity of extreme weather events.** – More extreme weather events lead to increased business disruption for colleagues travelling to workplaces and seeing customers. – Insurance costs increase for both the business and homeowners, alongside decreasing availability.	**Medium/longer-term shift in weather patterns, causing increasingly heavy rain and strong winds and temperature increases leading to higher sea levels.** – More significant business disruption caused by adverse weather conditions, requiring greater change in ways of working. – Longer-term increases in frequency and severity of adverse weather conditions change housing market fundamentals, leading to a potential review of our operating model
Risk impact assessment:	Low	Low
Assumptions:	– Exclusively UK-based operations, under the worst-case scenarios, the extreme physical impacts on the UK are concentrated around coastal areas. – Current operational locations geographically dispersed but due to frequency and severity may experience significant disruption at more than one location simultaneously (due to a climate event). – Around 54% of our workforce is home-based increasing the geographical spread of the workforce. The largest group of colleagues are surveyors who are based at home but carrying out property inspections meaning they spend time travelling. – Housing market will continue to operate at ten-year average activity levels.	
Mitigating actions/commitments	– We continue to work towards our environmental commitments, achieving net zero on emissions in our operational control by 2040.	
Opportunities:	The Group can capitalise on opportunities in demand for energy efficiency drives from lenders and homeowners. We offer a wide range of services to mortgage intermediaries, lenders and Estate Agency franchisees, and have a history of adapting our products and services as demands change.	
Opportunity impact assessment:	Low across all time horizons.	

Climate-related metrics and targets:

As noted above, our assessment is that the climate-related risks and opportunities we face are not currently material to our business model or strategy. However, we have identified the reduction of our environmental footprint as a priority within our Living Responsibly ESG programme. We set targets for improving our reporting of emissions in 2023 including, for the first time, quantifying our Scope 3 emissions. During the year e.surv piloted the use of a software platform to calculate and monitor emissions. We were also supported by Energise to support us in reviewing our methodology for Scope 1 and 2 and calculating our Scope 3 emissions.

We have stated our 2022-23 emissions separately from previous years due to the change in scope and methodology. In addition, for the first time, we are undertaking dual emissions reporting in line with recommendations by the *Greenhouse Gas Protocol*. Location-based emissions are reported alongside market-based emissions, which reflect the certified renewable supply of purchased electricity in Scope 2.

This section includes our current climate-related metrics and reporting against previously set targets. We will review these in line with our climate-related risk and opportunity work during 2024 to ensure we have an appropriate set of metrics and targets.

Streamlined Energy and Carbon Reporting (SECR)

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

Introduction

The Group recognises the importance of minimising its environmental impact and since 2021 this has been a priority in its Living Responsibly ESG programme which is the Group's sustainability strategy. As part of this commitment, the Group set targets to improve its emission reporting during

2023 including calculating Scope 3 emissions for the first time. Within the Group, e.surv is in scope of the SECR requirements which came into force for financial years beginning on or after 1 April 2019. In accordance with these regulations LSL has reported a Group-wide disclosure and therefore e.surv as the in-scope entity will not be making any separate disclosures.

Methodology

The Group has reported on all emission sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which includes the SECR requirements. We have applied a financial control methodology, reporting emission sources that fall within the Group Financial Statements (with the exception of Pivotal Growth – see below). We do not have responsibility for any sources that sit outside this.

This section covers the seven main Greenhouse Gases (GHG) covered by the *Kyoto Protocol* which include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). It has used the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (Revised edition), and emission factors from the Government's GHG emission factors for Company Reporting.

GHG emissions data

Reporting period: The reporting period is 1 October to 30 September. This overlaps by nine months with the Group's financial year and is used for historical reporting reasons.

GHG emissions 2022-23 data summary table:

2022-23 Group emissions		**kWh**	**Tonnes CO_2e** **Market-based**	**Tonnes CO_2e** **Location-based**
Scope 1	Operation of facilities	1,569,490	287.1	287.1
	Combustion	1,636,085	395.5	395.5
	F-gas		47.8	47.8
	Total	**3,205,575**	**730.4**	**730.4**
Scope 2	Purchased energy	4,810,751	637.4	996.3
	Total Scope 2	**4,810,751**	**637.4**	**996.3**
Total Scope 1 and 2 emissions		**1,367.8**		**1,726.7**
Average colleague number			2,923	
Group revenue (£m)				176.8
Intensity metrics	**tCO_2e (Scopes 1 and 2) per FTE employee**		0.5	
	tCO_2e (Scopes 1 and 2) per £m Revenue	7.9		
Scope 3	Purchased goods and services		10,391.0	
	Capital goods		39.3	
	Fuel and energy-related activities		415.9	
	Upstream transportation and distribution		120.4	
	Waste generated in operations		13.3	
	Business travel		1,315.9	
	Colleague commuting (including homeworking)		1,823.3	
	Franchises		341.4 (678 location-based)	
	Total		14,460.6 (14,797.2 location-based)	
Total Scope 1, 2 and 3			**15,828.4 (16,523.8 location-based)**	
	tCO_2e (all scopes) per £m Revenue	–	89.5	

Note:

This disclosure is partial as we continue to work to improve our understanding of our Scope 3 emissions.

GHG emissions: previous year's data

Corporate emissions	2021-22	2020-21	2019-20	2018-19
Combustion of fuel and operation of facilities (Scope 1)	1,998	2,125	2,517	3,420
Electricity, heat, steam and cooling purchased for our own use (Scope 2)	24	39	1,139	1,535
Total (Scope 1 and 2 including Grey Fleet)	**2,022**	**2,165**	**3,656**	**4,955**
tCO2e per FTE employee	0.50	0.52	0.94	1.17
tCO2e per £m revenue	6	7	14	16
Total kWh	6,287,001	7,684,216	ND	ND
Total (Scope 1 and 2)	**2,022**	**2,165**	**3,656**	**4,955**

Note:
Figures included in this table include car fuel emissions which are now reported in Scope 3 (emissions from colleague owned vehicles).

2022-23 emissions data notes:

As stated elsewhere, 2023 was a year of significant change for the Group including franchising the Estate Agency network, the sale of Marsh & Parsons and sale of businesses to Pivotal Growth. The changes to our operations took place in stages throughout the year. The data presented above includes emissions in our control up to the point of sale (and where relevant franchise). The emissions from franchises post-May are included in the relevant Scope 3 category.

We have reported market and location-based emissions for our franchises due to the quality of the data we hold and our ability to report in this way.

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 estimated using CIBSE Guide F (2021) Building Benchmark and facility floor size. The methodology used to estimate the supply chain emissions from purchased goods and services, upstream transportation and distribution, and capital goods is based on the Exiobase environmentally extended input-output (EEIO) dataset. EEIO combines economic information about the trade between industrial sectors with environmental information about the emissions arising directly from those sectors.

Data coverage and quality:

Emissions from water supply and water treatment for Financial Services and Estate Agency have been omitted from reporting due to data inaccessibility.

Emissions from investments, which would include joint ventures with less than a 50% stake, such as the Pivotal Growth joint venture, have been omitted from reporting due to data inaccessibility. These omissions are not believed to be material and are expected to consist of less than 1% of overall emissions.

Employee commuting emissions have been estimated using a UK average benchmark estimated by consultants Energise on a per employee basis under the assumption that office-based employees commute twice per week. The remainder of the week has included colleagues as home-based. It is our understanding that in terms of data quality, we consider:

- Scope 1 = 80% good quality, 17% adequate quality and 3% poor quality data.
- Scope 2 = 100% good quality data.
- Scope 3 (business travel) = adequate/proxy data with 50% uncertainty.

Note:

Where good quality is defined as 10% margin of error, adequate 25% and poor quality a 50% or more margin of error.

Update against 2021 climate transition plan:

As noted above, comparing emissions to previous years is difficult due to the more accurate and granular approach to calculating our footprint. However, we have sought to update on targets published in 2022 below, and as noted elsewhere, during 2024 we will publish an updated Climate Transition Plan.

Scope	Target	Update
1	Limit emissions in line with *The Paris Agreement* 1.5°C emissions trajectory.	Unable to update on progress in relation to previous reporting years but have re-baselined data and set targets for our future emissions reduction trajectory within our Living Responsibly Report 2024.
1	Procure gas from renewable sources at 100% of Group locations.	100% of Group locations under our control at the close of the year procure gas from renewable sources. 42% of locations have no gas on site and 32% are landlord controlled.
1	Transition 57% of leased petrol and diesels to EVs or hybrid in a phased approach by 2025.	Our fleet has reduced in size significantly due to the changes that took place in 2023, reducing by 54% broadly in line with the overall headcount reduction. At 30 September 2023, 78% of our leased fleet is EVs or hybrid, compared to 18% in 2021.
2	Achieve net zero Scope 2 emissions by 2023 and maintain for the foreseeable future.	On a comparable basis, Scope 2 emissions are now 4.3 tonnes (electricity use, market-based methodology). Improved accounting methodology includes electricity for vehicle use in Scope 2 which means Scope 2 is not zero.
2	Procure electricity from renewable sources at 100% of locations where we have utility control.	Target has been achieved.
3	Quantify Scope 3 emissions.	Target has been achieved – eight categories were completed for the 2022-23 reporting year. We have calculated upstream and downstream categories, despite intention to only calculate upstream.

Additional actions in-year to reduce our emissions:

- Where the Group manages the electricity and/or gas supply for franchisees (i.e. as landlord of the premises) now our Scope 3 emissions, these are also procured from certified renewable/green sources, 98% branches on renewable electricity tariffs and 99% on 'green' gas.
- Upgrades to LED lighting and air conditioning were paused during 2023 due to the restructuring activities as offices where we were planning these upgrades moved into franchisee control.
- 55.9% recycling rate for operations included within Scope 1 and 2 emissions reporting boundaries.

Next steps and further analysis:

- As previously stated, we will be re-setting our benchmark year for emissions reporting to 2022-23.
- In addition to this we will review our net zero commitment and emissions reduction plan in 2024.

Stakeholder engagement reporting on environmental matters:

The Stakeholder Engagement section of this Report details how we engage with our stakeholders including our customers. In this section of the Report, we describe some specific examples of how we have engaged with stakeholders in relation to environmental matters.

Surveying & Valuation:

During the year, a specific focus for our Surveying & Valuation business was the progression of environmental initiatives in conjunction with our lender clients. The impact assessment also takes place at a Divisional level, whereby (as set out in the climate-related risks and opportunities table above) different responses are required dependent on the potential gross impact in the Divisions to different climate-related risks and opportunities. For example, the Surveying & Valuation Division has established a framework and mechanisms to ensure compliance with any agreed contractual commitments around sustainability, and to mitigate against and reduce the risk of not achieving agreed environmental supplier standards.

Financial Services Network:

The PRIMIS Network participates in the Mortgage Climate Action Group (MCAG). MCAG is an industry-wide group focusing on education and collaboration in the transition to a net zero economy. Colleagues within PRIMIS are participating in work to create communication tools for brokers and the wider sector.

Environmental, Social and Governance (ESG) Report

We deliver our ESG initiatives through our Living Responsibly ESG programme, which we report on in our **Living Responsibly Report 2024** published on our website. A summary of relevant progress and information is included in this Environmental, Social and Governance Report.

We continued to deliver our Living Responsibly ESG programme throughout 2023 and invested in our Group resources. Our Head of ESG supports our Chief People Officer (CPO), to lead our Group-wide approach. The Board received presentations on the Living Responsibly ESG programme from the CPO and Head of ESG during the year. The programme was also covered in the new Chair's induction.

For further information on our:

a. Environmental matters – see the Non-Financial and Sustainability Information Statement including TCFD section at page 34.

b. Governance – see the Corporate Governance Report at page 65.

Living Responsibly Steering Committee (SteerCo)
Our programme aims are guided by the SteerCo, which is chaired by David Stewart. The Corporate Governance Report (page 65) explains how the Living Responsibly ESG programme fits into our governance framework and details the SteerCo's membership. Following a review, we made some changes to its membership and we intend to include the Group CFO from 2024, to increase Executive Director oversight of our strategy and commitments. During 2023, the SteerCo met three times.

Living Responsibly – our sustainability strategy
Our Group culture statement is at the heart of our Living Responsibly ESG programme:

The right people (becoming a better place to work), doing the right things (investing in communities), in the right way (reducing our environmental impact and excellent governance).

The table below describes our sustainability strategy. For 2023 progress and details of our 2024 priorities, see the Living Responsibly Report 2024.

Our Group-wide sustainability strategy

The right people, doing the right things, in the right way

	PEOPLE	COMMUNITY	ENVIRONMENT	GOVERNANCE
Programme component	**Responsible with our people**	**Responsible with our communities**	**Responsible with our environment**	**Responsible in the way we work**
We are committed to…	…being a better place to work	…supporting colleague initiatives and giving back	…reducing our impact on the environment	…excellent governance
Why?	People are our greatest asset and central to securing our sustainability	We want to have a positive and lasting impact on the communities we work in	We have a responsibility to do this as a global citizen and our stakeholders are keen for us to play our part	Our customers depend on our excellent governance to support them in their business operations
Executive Committee sponsor	Debra Gardner, Chief People Officer	Sapna B. FitzGerald, General Counsel and Company Secretary	Paul Hardy, Managing Director – Estate Agency Franchising	Sapna B. FitzGerald, General Counsel and Company Secretary

Responsible with our people

Colleagues

Gender

Colleagues are central to our success as a Group. The strategic projects we completed in 2023 have changed the composition of our workforce and leadership. Changes to our Board and Executive Committee are included in our Corporate Governance Report (page 71).

Changes to our Senior Management Team and the wider Group are illustrated in the tables below:

	31 December 2023				31 December 2022[2]			
	Female		Male		Female		Male	
Senior Management Team[1]	33%	15	67%	30	28%	16	72%	41
All colleagues[3]	46%	792	54%	932	53%	2,364	47%	2,088

Notes:

[1] Our Executive Committee and their direct reports who are A1 and A2 grades (excluding Executive Directors).

[2] We have revised our 2023 reporting to clarify our populations. The 2022 data is as we reported in our Annual Report and Accounts in 2022.

[3] All colleagues.

Details of the ethnicity of the Board and the Executive Committee are included in our Corporate Governance Report (page 72). Details regarding our Senior Management and wider Group are detailed below:

	31 December 2023				31 December 2022[3]	
	White		Ethnic minority		White	Ethnic minority
Senior Management Team[1]	38	95%	2	5%	91%	9%
All colleagues[2]	1172	92%	107	8%	94%	6%

Notes:

[1] Our Executive Committee and their direct reports who are A1 and A2 grades (excluding Executive Directors). Non-disclosure rate is 11% (5 colleagues).

[2] All colleagues. Ethnicity data obtained through the all-colleague survey. Non-disclosure rate is 5% (66 colleagues) which is the proportion of colleagues completing the survey who chose not to disclose their ethnicity.

[3] We have revised our 2023 reporting to clarify our populations. The 2022 data is as we reported in our Annual Report and Accounts in 2022.

As a result of the restructuring and simplification projects, our workforce at 31 December 2023 had reduced by 61% to 1,724 colleagues, from 4,452 colleagues a year earlier. We have seen an increase in the proportion of colleagues identifying as ethnic minority across the workforce but observe lower representation in senior roles. We will continue to work with the I&D Forum and LSL Voices to improve diversity and inclusion across the Group.

	31 December 2023	31 December 2022	31 December 2021	31 December 2020
Total colleagues	1,724	4,452	4,617	4,335
Total voluntary turnover (%)	18.2	30.5	28.1	17.4
Male (%)	47%	47%	47%	49%
Female (%)	53%	53%	53%	51%

We are pleased to note that there was a reduction in our workforce turnover rate during 2023. Our workforce reduced in size by more than half which included a significant amount of colleagues from the Estate Agency Division as we transitioned into the franchising business model. This Division typically had higher voluntary attrition. We are still seeing slightly more movement among females and will continue to monitor this, including reviewing for any differences in experience highlighted in our annual colleague survey. Analysis of data to date suggests that females are more engaged than males within the Group.

Ethnicity

In 2022 we adopted the diversity targets emerging from the Hampton-Alexander review which have been incorporated into the Listing Rules. Our progress towards these targets is reported in the Corporate Governance Report on page 80.

Disability

Over the last two years, we have focused on being a better place to work for our colleagues who have a disability or long-term health condition. We were awarded 'Disability Confident' employer status by the Department of Work and Pensions in 2022, and we have worked on a programme of training with Disability Rights UK, to upskill colleagues on the Equality Act and its implications.

We reported last year on the development of 'Accessibility Passports' to support colleagues in transferring reasonable adjustments with them when moving roles internally. We now have a programme of manager training to support this, which is ready for roll out.

We have continued to use our annual colleague survey to understand how many of our colleagues have a disability or long-term health condition, and we are delighted that our colleagues felt more comfortable sharing this information with us via the survey in 2023. In total, 17% of our workforce (2022: 6%) disclosed that they have a disability or long-term health condition, which is in line with national census data for the working age population. Our non-disclosure rate has reduced from 7% to 4%, which is a positive indicator of increased trust. During 2024, we hope to launch 'Disability Voices' – our affinity group for colleagues interested in the challenges and opportunities for individuals with disabilities or long-term health conditions but will keep this under review with the rest of LSL Voices.

Further information on the diversity demographics of our colleagues is reported within our Living Responsibly Report 2024.

Colleague dialogue

We have three Group-wide colleague forums to support our colleague engagement. Further details are included in our Stakeholder Engagement Report (page 23).

Our forums are:

Forum		Examples of feedback and discussions
LSL Colleague Engagement forum **(previously the Employee Engagement Forum)**	This forum consists of 18 colleagues who have been elected as representatives. Through the year, the CEF has worked to build a collaborative forum where colleague-related issues are raised by both our CPO and forum members, facilitated (where appropriate) by an elected proxy chair. Darrell Evans is the Non Executive Director representative for workforce engagement. Further details about this role are included in the Corporate Governance Report at page 71.	We sought colleague feedback on changes to the appraisal and succession planning process. As a result of this, we rolled out the new personal development review process at the end of the year.
		Forum members raised the need to review our benefits offering and better communicate what is available for colleagues, as well as wanting to see greater celebration and acknowledgement of long-service milestones. Our Group Head of Reward is reviewing colleague benefits and will communicate the outcomes in due course. We have integrated long-service milestones into our new quarterly colleague newsletter.
		Forum members requested a focus on colleague mental health and invited mental health first aiders to one of the meetings. As a result, they are now building a process to extend the support available across the Group.
LSL inclusion&diversity forum	The I&D Forum is now in its fourth year. During 2023, the forum launched the first three LSL Voices (cultural, LGBT+, and gender) which are colleague affinity groups designed to provide a networking and collaboration space for colleagues interested in the opportunities and challenges faced by colleagues of certain demographics.	As with the CEF, the I&D Forum provides feedback to the Group HR team. It is currently contributing to the simplification of our colleague policies.
LSL communities forum	Now also in its fourth year, this forum champions opportunities for colleagues to support communities and charities.	The forum identifies opportunities for colleagues collectively to engage in community issues. More detail of work in 2023 is reported in our Living Responsibly Report 2024.

Annual colleague survey – 'Have your Say'

During 2023, we engaged a new survey provider – *People Insight* – to support us in understanding the feedback and experiences of our colleagues. While we have used some historical data here to illustrate the current position, due to Group restructuring and simplification and changes in the way we collect the data, the engagement data has not been compared to previous years.

2023 colleague survey in numbers:

We are delighted that 77% (1,345) of our colleagues responded to our survey in October 2023, a 16% increase (2022: 61%). As this was our first year, we compared our results to an external benchmark, comprising data that *People Insight* holds for companies like ours.

Overall, the survey revealed that:

- Colleagues responded particularly positively to questions relating to 'Purpose' (80% positive, 3 points above the external benchmark). Strongest responses were to understanding business aims (91% positive), understanding own contribution to those aims (95% positive) and believing the business is committed to high quality work (87% positive).
- Colleagues' view of the components required to do their role such as communication, training and development, physical environment and support (together the 'Enablement' theme) is notably above the benchmark (73% positive, 67% benchmark).
- Colleague engagement is below the benchmark (73% positive, 79% benchmark).
- Reward and benefits received less positive feedback than other themes (62% positive, 3 points below external benchmark). This is consistent with the feedback received from our CEF.

As a result of the feedback, we identified three areas of focus for 2024:

1. **Leadership and action** – We will continue to build on work begun in 2023 around communicating strategy and progress across the Group, including regular Senior Management conferences. We are using our Group-wide colleague forums (CEF and I&D) to address and communicate actions in response to survey feedback.
2. **Reward and recognition** – During 2024, we are reviewing colleague benefits across the Group. We will also be launching an internal career page and we are exploring the feasibility of a Group-wide competency framework.
3. **Workload and flexibility** – Colleague feedback in this area identified different experiences across the Group, with some colleagues reporting appropriate flexibility and others seeking more. We will work alongside the CEF and with local management teams to ensure this works for the business and colleagues. We will also take this opportunity to review and relaunch our Group-wide flexible working policy.

Sharesave

During quarter four 2023 we launched a colleague sharesave scheme. We were delighted with the take up, with 20% of colleagues signing up, indicating their engagement with the Group. This compared to 16% signing up for the last scheme we launched in 2021.

Human rights and modern slavery

We create employment directly for our colleagues and indirectly within our supply chains. This means human rights and modern slavery are at the core of our commitment to *doing the right thing.* We are committed to adhering to the UN Guiding Principles on Business and Human Rights, promoting the highest standards of integrity, personal conduct, ethics and fairness, in line with the UK regulatory environment we operate in.

We protect and promote the human rights of our colleagues in the following ways:

1. Undertaking pre-employment checks on all new colleagues, confirming their identity and eligibility to work in the UK.
2. Providing clear and timely information to colleagues on their statutory rights, including sick pay, holiday pay and other benefits they are entitled to.
3. Paying our colleagues fairly. During 2023, we undertook to ensure all colleagues across the Group are paid at least the Real Living Wage. During 2024, we will seek external validation of this through the Real Living Wage Foundation.
4. Maintaining regular communication with our colleague community, using the CEF and regular colleague surveys.
5. Regularly calculating and monitoring our gender pay gap within our Divisions and, for the first time, reviewing this Group-wide in 2023.
6. Completing annual compliance training on modern slavery and human trafficking.
7. Making available grievance and whistleblowing channels for colleagues and ensuring whistleblower protection.

Across the Group we expect all parts of our supply chain to adhere to international standards on human rights, including with respect to child and forced labour, land rights and freedom of association. Our Surveying & Valuation Division includes a risk assessment as part of its supplier due diligence processes. Further, during 2023 we also have implemented new procedures to comply with the FCA's new consumer duty regime.

We are committed to taking active steps to identify human rights issues. During 2023, within our Surveying & Valuation Services Division we made around 200 reports setting out safety or vulnerability concerns relating to our customers, and we will continue to take steps to ensure our colleagues have the confidence and awareness to identify vulnerabilities, whether they be in relation to customers with particular needs or concerns or to ensure we are proactive in protecting human rights and addressing any risks of modern slavery in our supply chain.

These procedures collectively help to address our ongoing commitment to protect our colleagues' and stakeholder human rights and the elimination of all forms of forced and compulsory labour.

Colleague policies

We have centralised colleague policies, as well as Divisional policies, which either supplement the central ones or are separate and specific to the Division. For the following Group policies, the implementation and compliance of these policies, is the responsibility of the Divisional management teams. We are establishing attestation processes, like those put in place by our DISC (see Audit & Risk Committee Report for further details) to ensure continued compliance.

Central and local learning and development teams also publish training material to support colleague learning and compliance with the policies.

Combined ethics policy

Our Group-wide combined ethics policy outlines our approach to anti-corruption and bribery (including hospitality), anti-slavery and human trafficking, conflicts of interest, tax evasion, whistleblowing and fraud. We have an annual programme of compliance training for colleagues that includes anti-money laundering, financial crime and information security.

Whistleblowing – `Speak Up'

Our Group-wide `Speak Up' policy outlines our colleague whistleblowing channel. During 2023, we again ran a 'Speak Up' week to raise awareness of the channel and the protection offered to any whistleblowers. Our CPO regularly reports the outcomes to the Board. See the Corporate Governance Report on page 83 for further information.

Health and safety

Adam Castleton (Group CFO) is responsible for health and safety across the Group.

We are committed to ensuring colleagues work in a safe and healthy working environment. Within e.surv, which is our largest employer, we are certified to ISO 45001. The nature of the field work within the Surveying & Valuation Division underlines the importance of our health and safety arrangements to us.

As part of our management of occupational health and safety, we monitor the identification of hazards, occurrence of accidents, and employer and public liability claims. During 2023, there was one RIDDOR reportable incident (2022: 5) and no work-related fatalities. There were no employer liability claims in 2023 (2022: 1). Group-wide health and safety reports go to the Board bi-annually. Internal Audit undertakes a rolling audit of health and safety data and procedures and there are currently no high-priority actions outstanding.

In the annual survey, 67% of colleagues responded positively about being able to comfortably manage their workload (3% above sector benchmark) which is a positive indicator of our colleagues' ability to manage their wellbeing, health and safety at work.

Payment practices reporting

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

Group HR colleague policies

Great policies provide the framework for colleagues to thrive. Following the Group's restructuring and simplification, we have begun to review and revise our colleague employment policies to ensure they are clear, transparent and supportive. We are planning to launch 18 refreshed colleague policies in 2024. Colleagues from our forums have supported our review of these policies and we have a register of further developments.

Our colleague employment policies are contained in our Group HR system, which we upgraded during the last quarter of 2023. We also reviewed our colleague employment policy signposting during the year, with this forming part of the Group-wide colleague induction launched in the same period.

Policy	Scope	Published/last reviewed
1. Family friendly	Parental pay and leave arrangement across maternity, adoption, shared and additional parental and emergency leave.	Revised and updated to ensure equality of provision and language Q1 2024
2. Equality and diversity in the workplace	Fairness and equal treatment for all colleagues.	Updated Q1 2024
3. Pregnancy loss	Supporting colleagues who suffer the loss of their unborn child.	Updated Q1 2024
4. Fertility	Supporting colleagues undergoing fertility treatment.	Updated Q1 2024
5. Menopause	Supporting colleagues to access appropriate support when going through the menopause.	Updated Q1 2024
6. Stress and mental wellbeing	Promoting a healthy work environment for colleagues.	Updated Q1 2024
7. Environmental	Organisational approach and individuals' roles in improving the environmental sustainability of the Group and minimising our environmental footprint.	April 2021
8. Data information security framework	Includes policies relating to colleague data protection and information security arrangements.	Updated Q1 2024
9. Combined ethics	Includes the Group's approach to anti-bribery and corruption, modern slavery and human trafficking, conflicts and personal interest, tax evasion, whistleblowing and fraud.	November 2023

The Board

This section of the Report includes information on the Directors and the Company Secretary as at 24 April 2024.

Executive Directors

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, Independent Non Executive Director

Committees: Remuneration (Chair), Nominations, Audit & Risk

Other responsibilities: designated Non Executive Director for workforce engagement

Gaby joined LSL as an independent Non Executive Director on 1 September 2019. She 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 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.

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 the Board keeps this position 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. Simon is stepping down from the Board on 1 May 2024 to focus on executing Pivotal Growth's growth plan.

Darrell Evans, Interim Chair

Committees: Nominations (Interim Chair), Remuneration

Darrell was appointed as an independent Non Executive Director on 28 February 2019 and became Interim Chair from 26 February 2024. He has significant experience in financial services and he was previously Chief Commercial Officer at the Co-Operative Bank plc. He 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

Committees: Audit & Risk, Remuneration

Sonya was appointed as an independent Non Executive Director on 4 March 2022. She has significant experience in banking, finance, strategy, investor relations, governance and ESG, which she has gained from her roles in the consumer sector, including her current position as Head of Investor Relations at Haleon. Sonya was previously Head of Investor Relations at Heineken and provided investor relations and consultancy services as Clear Giraffe IR. Her 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, Senior Independent Director

Committees: Audit & Risk (Chair), Nominations

Other responsibilities: Senior Independent Director

James was appointed as an independent Non Executive Director on 27 September 2021. He has significant experience in audit, risk and financial services, particularly in retail financial services. James was previously Chief Financial Officer at Barclays Bank UK plc and Aldermore plc and acting Chief Financial Officer at the Co-operative Bank. His 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.

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

This section of the Report includes information on the Executive Committee as at 24 April 2024.

David Stewart
Group Chief Executive Officer
Executive Director
Additional responsibilities:
Living Responsibly ESG programme sponsor
Executive responsible for colleague matters

Adam Castleton
Group Chief Financial Officer
Executive Director
Additional responsibilities:
Health and safety
Group risk

Debra Gardner
Chief People Officer
Additional responsibilities:
Living Responsibly ESG programme
- Programme owner
- Colleague I&D lead
- Executive Committee sponsor I&D Forum
- Chair of DISC

Sapna B. FitzGerald
General Counsel and Company Secretary
Additional responsibilities:
Living Responsibly ESG programme
- Governance lead (including Board diversity)
- Executive Committee sponsor Communities Forum

Richard Howells
Group Financial Services Director
PDMR

Steve Goodall
Managing Director
Surveying & Valuation
PDMR

Paul Hardy
Managing Director
Estate Agency
PDMR
Additional responsibilities:
Living Responsibly ESG programme
- Chair EWG

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

David Stewart
Group Chief Executive Officer
24 April 2024

Adam Castleton
Group Chief Financial Officer
24 April 2024

Directors' Report (including Corporate Governance and Committee Reports)

In this section:

Statement of Directors' Responsibilities in Relation to the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements 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 and 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

f. 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 as at the date of this Report 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

Statutory information contained elsewhere in the Annual Report

Information required to be part of the Report of Directors can be found elsewhere in this Report and is incorporated into this section of the Report by reference, as indicated below:

Reporting requirement and report section	Pages
Review of the Group's business, including performance, developments and strategy, and likely future developments: Strategic Report	10
Corporate Governance Report	65
Financial results: Strategic Report and Financial Statements	14 and 113
Dividends: Strategic Report	07
Financial instruments: Strategic Report, and note 32 to the Financial Statements	21 and 169
Employees, suppliers, customers and other stakeholders: Stakeholder Engagement Arrangements, and Environmental, Social and Governance Report	23 and 50
Greenhouse gas emissions: Strategic Report	47
Directors: Corporate Governance Report and The Board	65 and 56
Directors' service contracts and letters of appointment: Directors' Remuneration Report	101 and 102

Annual general meeting (AGM)

Our AGM will be held at a venue in London on Thursday 20 June 2024. It is expected to start at 10am with doors open at 9.45am. The Notice of Meeting convening the AGM will be issued in a separate circular to shareholders prior to the AGM and this will confirm the location for the meeting. The Notice of Meeting will also include a commentary on the business of the AGM and notes to help shareholders to attend, speak and vote at the AGM. We will issue an announcement when the AGM Notice has been published confirming details for the meeting. For shareholders who have elected to receive electronic communications, the AGM Notice will be available on our website. For all other shareholders, the AGM Notice will be posted to them.

Going concern

The UK Corporate Governance Code requires the Board to assess and report on the prospects of the Group and whether the business is a going concern. In considering this requirement, the Directors have prepared a going concern assessment which takes into account the Group's current financial position and future prospects for the period through to 30 June 2025 ('the going concern period'). In preparing this assessment, the Directors have considered the forecast cash flows and total liquidity available to the Group, including assessment of the availability of borrowing facilities and the Group's compliance with related covenants.

The Group expects to continue to meet its day-to-day working capital requirements through cash flows generated by its trading activities and available cash resources (31 December 2023: £35.0m). The Group's banking facility, a committed £60m revolving credit facility, has a maturity date of May 2026 and is therefore available throughout the going concern period. As shown in note 25 to the Financial Statements, the Group had not utilised any of this facility at 31 December 2023 and the Group has not drawn down upon this facility subsequent to the 2023 year end. The facility agreement contains financial covenants, including a minimum net debt to EBITDA ratio. At the balance sheet date, the Group could have drawn a maximum of c£50m from the facility and remain compliant with covenants. This provides the Group with significant liquidity at the balance sheet date.

The Directors have continued to run a variety of scenario models throughout the year to help the ongoing assessment of risks and opportunities. The Directors' forecasting demonstrates that the Group is expected to maintain sufficient liquidity throughout the going concern assessment period and operate within the terms of its committed revolving credit facility.

In preparing their assessment, the Directors have also modelled a downside scenario under which inflation and interest rates remain higher than external sources currently predict. This downside scenario as a result assumes a continuation of current trading throughout the going concern period to 30 June 2025. Under this scenario the Group maintains sufficient liquidity and remains compliant with the terms of the revolving credit facility.

The Directors have performed a reverse stress test to determine the market and performance levels that would result in the Group having insufficient liquidity to continue its operations. Such a scenario would require market transaction volumes to reduce to a level lower than those experienced during the global financial crisis and in turn reduce Group annual revenue by over 25% compared to Group revenue forecasts through the going concern period, which the Directors do not consider to be plausible. The scenario modelling includes certain mitigating actions within the Group's control; however there are further cost mitigations that could be applied in such a severe scenario. Underpinned by LSL's strong balance sheet and the actions taken in 2023 to simplify the Group and create a more focused business that will perform more consistently through market cycles, the Directors consider a scenario in which the Group has insufficient liquidity to be remote.

The Directors are satisfied that the Group will continue to maintain sufficient liquidity and compliance with the terms of the revolving credit facility throughout the going concern period to 30 June 2025. As such, the Directors conclude it is appropriate to continue to use the going concern basis of preparation in preparing this Report.

Director appointment, election and re-election

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.

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 of the Directors are standing for election/re-election at the 2024 AGM.

Directors' interests

LSL shares

The Directors' interests as at 31 December 2023 are contained within the Directors' Remuneration Report (page 108). During the period between 31 December 2023 and the date of this Report, there were no changes in the Directors' interests, other than share purchases by David Stewart (280 shares) and Adam Castleton (279 shares) as participants of our SIP/BAYE scheme. These shares were purchased by the Trust at the prevailing market rate.

Conflicts

During 2023, 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.

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, other than Simon Embley, who has a direct interest in Pivotal Growth and indirect shareholding in Southern Home Move Ltd and Favsco Limited (both are Estate Agency franchisees (see note 33 for further details).

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 this liability.

Compensation for loss of office – change of control

There are no agreements between LSL and its Directors or any colleagues 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, our external auditor, has advised of its willingness to continue in office. A resolution to reappoint it and to give the Directors the authority to determine its remuneration will be proposed at the 2024 AGM. This is the penultimate year that Ernst & Young can be appointed as our external auditor, as it has been our auditor since we listed in November 2006. During 2024, we intend to conduct a tendering exercise to identify and appoint a new external auditor to take over the audit in 2025.

Further information on matters related to the external auditor is included in the Audit & Risk Committee Report on page 88.

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 2023, our issued share capital comprised 105,158,950 shares (2022: 105,158,950). The authorised share capital is 500,000,000 shares. Details of our share capital are also set out in note 28 to the Financial Statements.

There are 1,179,439 ordinary shares held in treasury. These treasury shares are not entitled to dividends and have no voting rights at our general meetings. As the issued share capital at the date of this Report is 105,158,950 shares, the total number of voting rights (excluding treasury shares) is therefore 103,982,511.

While we did not make any market purchase of ordinary shares in 2023, the Directors have an authority under section 701 of the Companies Act 2006 to make market purchases, on such terms and in such a manner that they determine. The number of shares we can buy back is capped at 10% of our issued ordinary share capital excluding the treasury shares, which is 10,392,511 ordinary shares. This authority will expire at the conclusion of the 2024 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 to renew the Directors' authority to allot unissued shares and to disapply statutory pre-emption rights at the 2024 AGM. We obtained shareholder approval to disapply pre-emption rights at the 2023 AGM.

Full details of the deadline for exercising voting rights in respect of the resolutions to be considered at the 2024 AGM are set out in the Notice of Meeting.

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

There are no restrictions on transferring our ordinary shares, 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 our securities.

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

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 15 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 2023, the Trust held 0.94% (2022: 1.01%) 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

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

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

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

Substantial shareholdings

At 31 December 2023 and as at 24 April 2024, the shareholders set out below have notified LSL of their interest under DTR 5:

		31 December 2023		24 April 2024	
Institution	Nature of shareholding	Number of ordinary shares	% of ordinary shares (excluding treasury shares[1])	Number of ordinary shares	% of ordinary shares (excluding treasury shares[1])
FMR LLC	Beneficial	9,901,380	9.52	9,901,380	9.52
Kinney Asset Management, LLC	Beneficial	9,298,489	8.94	9,298,489	8.94
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	5,218,057	5.02	5,218,057	5.02
FIL Limited	Beneficial	5,161,887	4.96	5,161,887	4.96
Utah State Retirement Systems	Beneficial	3,356,555	3.23	3,356,555	3.23
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

Note:

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

Political donations

We do not make any monetary contributions to political campaigns or to any political organisations or other tax-exempt groups. We may from time to time engage the services of a lobbying organisation in relation to a specific issue. Group companies may also join trade associations which may be involved in political or lobbying activities. We do not consider that these activities amount to our companies being engaged in or contributing to political activities.

Directors' responsibility statement

Each of the Directors confirm, to the best of their knowledge:

a. 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.

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

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

Disclosure of information to the auditor

Having made enquiries of fellow Directors and of the external auditor, each of the Directors on the Board at the date of this Report confirm that:

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

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

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

Sapna B. FitzGerald
Company Secretary
24 April 2024

Corporate Governance Report including Nominations Committee Report

Dear Shareholder,

It gives me great pleasure to introduce our Corporate Governance Report for 2023. I was appointed as Interim Non Executive Chair of the Board with effect from 26 February 2024 and I have been on the Board as an independent Non Executive since February 2019. We are currently in a process to appoint an independent Chair and I will continue in the role of Interim Chair until then.

The Corporate Governance Report sets out our corporate governance framework and explains how we have applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 (Code) during the year. During 2023, we complied with all aspects of the provisions of the Code, including commencing a Board and Committee evaluation process which we intend to update once we have appointed a new Chair. This will also consider undertaking an externally facilitated evaluation.

The Board is committed to good corporate governance and as Interim Chair, I am ensuring that our discussions are focused on the key topics of strategy, financial and operational performance, customers, colleagues, risk and governance. I am also responsible for ensuring that all of our decisions take our shareholders and other stakeholders into account. Further details on this are set out in our Stakeholder Engagement Report, which explains how as Directors we have complied with our duties under s172 Companies Act 2006. Since my appointment as Interim Chair I, and other Directors, have met a number of our shareholders and we continue to maintain an open dialogue with our investors.

Key governance activities during 2023

Board and its Committees

During the year, we reviewed the composition of our Remuneration and Nominations Committees, which resulted in changes to their memberships in November 2023. In March 2024 we again reviewed the composition of all three Committees following the February 2024 Board changes.

Following the revisions to our Committees, our Committees are operating in line with best practice, by not having the same individuals attending all of the Committees, and by promoting efficiency through sharing the Committees' work amongst the independent Non Executive Directors. In addition, I have stepped down from the Audit & Risk Committee and as Chair of the Remuneration Committee to ensure we continue to operate in compliance with the Code.

Financial Services Network

During the year, we also continued to review our governance arrangements within the Financial Services Network, building on the work completed in 2022 which led to John Lowe's appointment as Non Executive chair of PRIMIS. During 2023 we conducted a search for two additional independent Non Executive directors to join the PRIMIS Board and at the end of the year, we appointed Bryce Glover and Lynzi Harrison. Both have significant experience in retail financial services businesses. Since the beginning of 2024, the Financial Services Network has also established two new committees: Risk & Customer Outcomes and Audit & Compliance, which will be chaired by Bryce and Lynzi respectively. Bryce has also been appointed as the PRIMIS Consumer Duty Champion.

Board evaluation

During the year, we undertook an internally facilitated evaluation process which, due to the Board changes announced on 27 February 2024, we intend to update once we have appointed a new Chair. The responses to the questionnaire supported the evaluation of each Director who is on the Board at the date of this Report. Further details of this the evaluation process, including our reasons for not proceeding with an externally facilitated evaluation, are included in the Corporate Governance Report.

AGM

I will be available at the 2024 AGM, along with my fellow Directors, to answer shareholders' questions relating to the Board and our Committees, and how we discharged our roles and responsibilities during 2023.

Darrell Evans
Chair of the Board and the Nominations Committee
24 April 2024

LSL has a premium listing on the London Stock Exchange. As a result, we are subject to the 2018 edition of the UK Corporate Governance Code and the Financial Conduct Authority's (FCA) requirements under the Listing Rules. A copy of the Code can be obtained from frc.org.uk.

We note the publication of the updated Code and Guidance in January 2024, which will apply to us from 1 January 2025. During 2024, we will review the new Code and implement measures where needed to comply with it.

Compliance with the Code in 2023

Throughout the year we complied with the provisions of the Code in all respects.

This Code compliance statement has been prepared in accordance with the principles of the Code and the following pages explain how we apply the principles.

Code principle		Details of how we apply	Further information in this Report
1	**Board leadership and company purposes**	• Board is led by an independent Chair, who drives strategic focus and robust debate. • Diverse Board, with a strong mix of knowledge and experience. • 2023 focus on strategic transformation. • Company purpose, culture and values align to the Group strategy, provide an anchor point for risk management and articulate what joins our three Divisions together. • Board's responsibilities include: o the ongoing process for identifying, evaluating, and managing the principal risks faced by the company; o that the systems have been in place for the year under review and up to the date of approval of the annual report and accounts; and o that the systems are regularly reviewed by the Board.	Purpose, Strategy, Culture, Values and Business Model
2	**Division of responsibilities**	• Arrangements in place for Board, Executive and Senior Management engagement, including a Matters Reserved for the Board policy which supports Board decision making.	
3	**Composition, succession and evaluation**	• Diverse Board with breadth of experience, knowledge and skills. • Board and its Committees are led by experienced Chairs. • Board, Executive and Senior Management succession arrangements in place. • Annual evaluation exercise is undertaken, with tracking of actions during each year. • Regular engagement with shareholders by Executive and Non Executive Directors, to ensure Board understands their priorities.	Stakeholder Engagement Report
4	**Audit, risk and internal control**	• Audit & Risk Committee led by an independent Non Executive Chair, with recent and relevant financial experience. • Clear oversight of external and internal audit functions and planning. • Effective oversight of internal control environment, with a programme of work supporting compliance and governance changes. • Detailed consideration of the development of our TCFD arrangements. • Ensures adequacy of the Divisional risk management framework and process and participates in risk reviews, including identifying emerging risk. • Oversight of financial reporting, including judgements made in preparing financial reporting.	Non-Financial and Sustainability Information Statement including TCFD Audit & Risk Committee Report
5	**Remuneration**	• Remuneration Committee led by an independent Non Executive Chair. • Oversight of Remuneration Policy content and application. • Reviewing incentive schemes to ensure the attraction and retention of talent, driving our culture and values and create alignment with stakeholder interests.	Directors' Remuneration Report

Application of the Code and 2023 Compliance Statement

This section of the Report explains the main aspects of our 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:

Code principle	Subject	Further information
Principle C	The Principal Risks and Uncertainties section details our framework of prudent and effective controls, which enable risks to be assessed and managed.	Principal Risks and Uncertainties
Principle E	This section of the Report, together with the Stakeholder Engagement and ESG sections, detail how we seek to take into account the views of our workforce and ensure that our workforce policies and practices are consistent with our values and support our long-term sustainable success.	Stakeholder Engagement Report Environmental, Social and Governance Report Corporate Governance Report
Principles F and H	The roles of the Chair and the Non Executive Directors are 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.	The Board
Principles P, Q and R	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Directors Remuneration Report
Principles M, N and O	The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements. The Board should present a fair, balanced and understandable assessment of the company's position and prospects. The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	Audit & Risk Committee Report

Code explanation: Bill Shannon extended term – explanation to confirm compliance with the Code

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 extended Bill's term to expire at the end of December 2023. Notwithstanding this extension, Bill retired from the Board at the end of the 2023 AGM (25 May) and David Barral, who joined the Board on 3 April 2023 as Chair Designate, was appointed as Non Executive Chair on 25 May 2023. This limited extension of Bill's term was in compliance with the Code as the Board felt it was necessary to support the Chair appointment and succession arrangements.

Group governance structure

The Group's governance structure provides the framework within which the Group operates and delivers on our strategy. The information in the table below describes our governance arrangements as at the date of this Report.

Body	Role and responsibilities	Members
Board	• The Board is responsible for establishing the Group's purpose, its overall management and for decisions on strategy. • It also monitors financial and operational performance and, under the Group's Matters Reserved for the Board (MRB) policy, it also formulates the Group's risk appetite framework (see page 29). • The Board has delegated matters to its Committees (detailed in their terms of reference) and to the Executive Directors under the MRB policy.	Chair Executive Directors Non Executive Directors
Audit & Risk Committee[1]	• The Committee discharges governance responsibilities in respect of audit, risk and internal controls, and reports to the Board as appropriate. • It also oversees our arrangements with external auditors.	Independent Non Executive Directors
Remuneration Committee[1]	• The Committee determines the policy for Executive Director remuneration and sets remuneration for the Chair, Executive Directors, Company Secretary and Senior Management (with the definition of Senior Management for this purpose being determined by the Board), in accordance with the principles and provisions of the Code. • It also reviews workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director Remuneration.	Chair and independent Non Executive Directors
Nominations Committee[1]	• The Nominations Committee leads the process for appointments to the Board and ensures plans are in place for orderly succession to both the Board and Senior Management positions. • It also oversees the development of a diverse pipeline for succession planning.	Chair and independent Non Executive Directors
Disclosure Committee[1]	• Where requested by the Board, the Disclosure Committee oversees our compliance with the disclosure and control of inside information obligations, as set out in the UKLA's Listing Rules (LR), Disclosure and Transparency Rules (DTR) and the UK Market Abuse Regulation (UK MAR).	Chair Executive Directors Senior Independent Director
Executive Committee	• The Executive Committee is established and chaired by the Group CEO and includes his direct reports. • It is responsible for co-ordination across the Group.	Executive Directors (Group CEO and Group CFO) Divisional managing directors Chief People Officer Group Chief Strategy Officer General Counsel and Company Secretary
Investment Committee	• This Committee is established to consider investment decisions, in accordance with the Group's capital allocation policy. • Where authority is delegated by the Board, the Committee can approve investment requests, otherwise it will determine if a request is suitable for submission to the Board for approval. • The Committee will also monitor investments once approved, to ensure they deliver in accordance with their business case.	Group CEO Group CFO

Living Responsibly Steering Committee (SteerCo)	• The Group CEO established the SteerCo to support our corporate sustainability and ESG strategy and programme.
	• The following sub-groups report into the SteerCo:
	  o Environmental Working Group
	  o Inclusion and Diversity Forum
	  o Communities Forum
		Group CEO
		Chief People Officer
		General Counsel and Company Secretary
		Chair Environmental Working Group
		Head of Environmental, Social and Governance

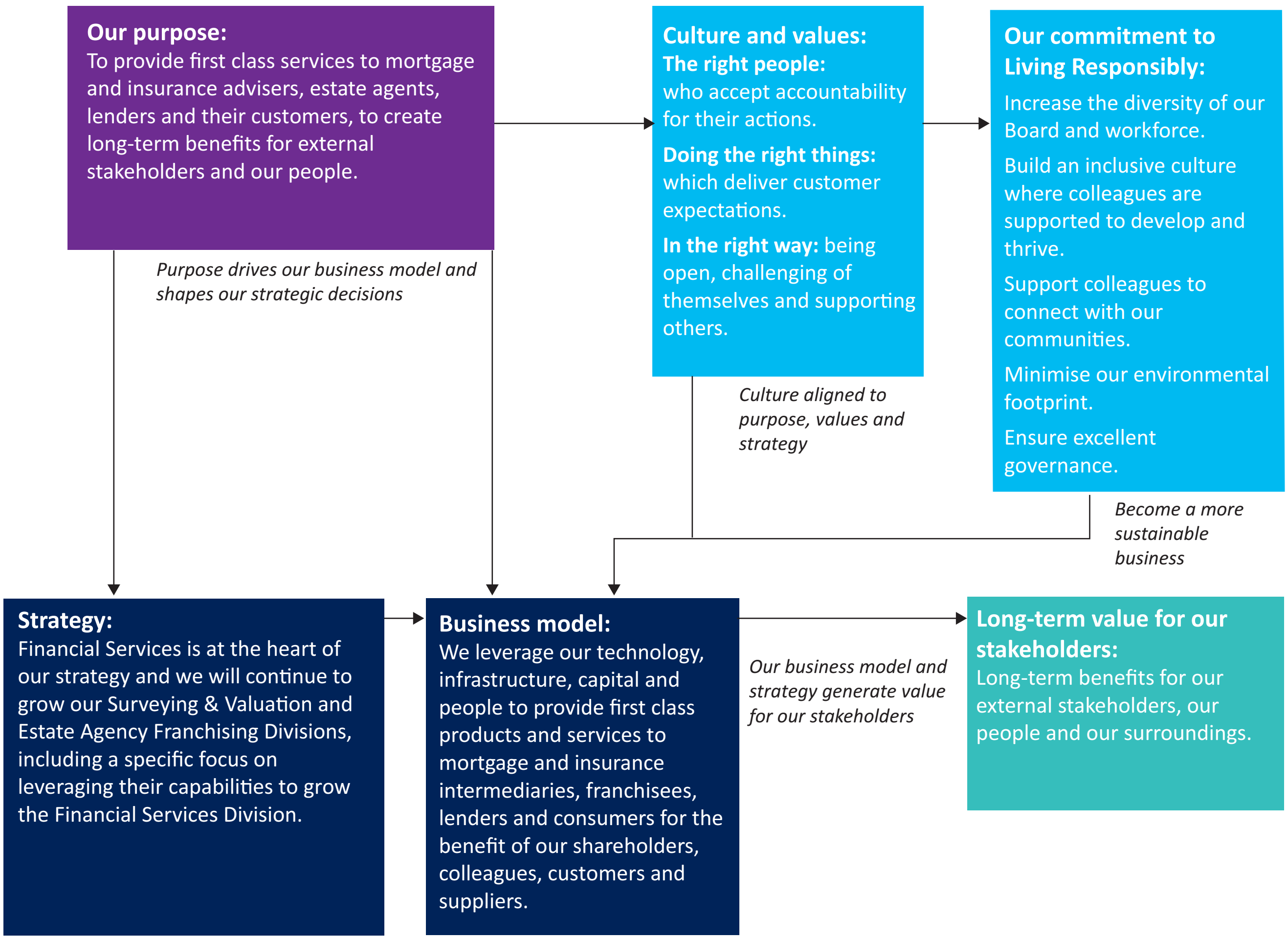
Divisional management teams	• Each trading Division has statutory boards for each of its companies, and an executive management team led by the Divisional managing director. • The Divisional management teams meet every quarter with the Group CEO and Group CFO to review financial and operational performance and risks. • The Divisional managing directors submit regular reports to the Board and are invited to present to the Board and the Audit & Risk Committee during the year on a range of matters, including financial and operational performance and risk. • The Divisional governance arrangements include committees with specific roles and responsibilities. The Audit & Risk Committee receives a report each year detailing the committees within each Division. • The Financial Services Network has established a combined board with an Audit & Compliance Committee and a Risk & Customer Outcomes Committee. The PRIMIS combined board and its committees are chaired by independent non executive directors.	Divisional management teams include: Managing directors Finance directors Sales directors Operations directors Chief risk officers

Note:
[1] Further details about the roles and responsibilities of the Board's Committees are set out below in The Board's Committees section.

The Group's governance arrangements are supported by Group Finance, LSL Legal (in-house legal team), Company Secretariat, Group HR and Internal Audit.

Purpose, culture, values, strategy and business model

The diagram below explains how our Group purpose, culture, values, strategy and business model link with each other, how they interact with our governance arrangements and how they deliver long-term value for our stakeholders.



Alongside these arrangements, the Divisions have also adopted Divisional purpose, culture and values which are aligned with the Divisional strategies and business models. See the ESG section of this Report for further details on the Divisions' purpose, culture and values.

During the year, the Board considers Group culture in a range of ways including an annual review presented by the CPO. If any issues are identified, action plans will be put in place and monitored by the Board.

The Board's Committees

The Board has established four Committees:

- Audit & Risk
- Nominations
- Remuneration
- Disclosure

The terms of reference for the Audit & Risk, Nominations and Remuneration Committees are available on our website: lslps.co.uk.

The Audit & Risk, Nominations and Remuneration Committees have meetings scheduled as part of the annual planning process, with other meetings organised during the year as required. The Disclosure Committee only meets when required.

See below for details of the number of meetings for the Board and each of the Committees in 2023. During the year the Board reviewed and updated the memberships of the Nominations, Remunerations and Disclosure Committees, to ensure our governance arrangements reflect best practice. Further details are included in the Nominations Committee report later in this section of the Report.

Committee	Members as at 31 December 2023	Members as at 5 March 2024	Role and responsibilities
Nominations[1]	David Barral[2] (Chair) Gaby Appleton Darrell Evans	Darrell Evans (Interim Chair) Gaby Appleton James Mack	• 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[1]	Darrell Evans (Chair) Gaby Appleton David Barral[2]	Gaby Appleton (Chair) Darrell Evans Sonya Ghobrial	• 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. • See the Directors' Remuneration Report for further details on how the Committee has discharged its roles and responsibilities in 2023 (page 92).
Audit & Risk	James Mack (Chair) Gaby Appleton Darrell Evans Sonya Ghobrial	James Mack (Chair) Gaby Appleton Sonya Ghobrial	• Oversight of audit, risk and internal control arrangements. See the Audit & Risk Committee Report (page 85) and the Principal Risks and Uncertainties section (page 29) for further details, including details of our internal controls and risk management arrangements.
Disclosure	David Barral[2] Gaby Appleton David Stewart Adam Castleton	Darrell Evans James Mack David Stewart Adam Castleton	• Ensuring compliance with the UKLA's Listing Rules (LR), Disclosure and Transparency Rules (DTR) and the UK Market Abuse Regulation (UK MAR).

Notes:

1 James Mack and Sonya Ghobrial were also members of the Nominations Committee and Remuneration Committee until 13 November 2023. The memberships of the Nominations and Remuneration Committees were reduced in 2023 following a review of Committee memberships. Sonya rejoined the Remuneration Committee and James rejoined the Nominations Committee in March 2024 following the Board changes announced in February 2024. See Nominations Committee Report for further information.

2 Bill Shannon was chair of the Nominations Committee and a member of the Remuneration Committee until he retired from the Board at the AGM on 25 May 2023. David Barral joined the Remuneration Committee and Nominations Committee on 3 April 2023 and was appointed chair of the Nominations Committee when he took over the role of Chair of the Board on 25 May 2023. David also replaced Bill as a member of the Disclosure Committee with effect from 25 May 2023. David left the Board and its Committees on 26 February 2024. Following this Darrell was appointed as Interim Chair of the Board and Nominations Committee. He also retired as Chair of the Remuneration Committee and as a member of the Audit & Risk Committee to ensure we continue to operate our Committees in accordance with the Code.

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
Richard Howells[1]	Group Director of Financial Services	PDMR[3]
Steve Goodall	Managing Director – Surveying & Valuation	PDMR[3]
Paul Hardy[2]	Managing Director – Estate Agency Franchising	PDMR[3]
Sapna B. FitzGerald	General Counsel and Company Secretary	–
Debra Gardner	Chief People Officer (CPO)	–

Notes:

1 Richard was appointed as Group Financial Services Director in February 2024. Jon Round held this position during 2023.

2 Paul was appointed as Managing Director – Estate Agency in March 2023. Prior to March 2023 Helen Buck was the Executive Director – Estate Agency.

3 Reference to 'PDMR' is to a 'person discharging managerial responsibilities' for the purposes of the UK Market Abuse Regulation.

Executive Committee diversity

At the date of this Report, the Executive Committee comprises seven people, and includes two women and one person from a minority ethnic background.

In this Report we have used the definition of minority ethnic background which has been implemented in the reporting requirements set out in Listing Rules 9.8.6R and 14.3.33R(1). Minority ethnic background is defined by reference to the following ONS categories, excluding the category 'White British or other White (including minority-white groups)':

- Asian/Asian British.
- Black/African/Caribbean/Black British.
- Mixed/Multiple Ethnic Groups.
- Other Ethnic Group, including Arab.

For further details relating to the diversity of our colleagues, including the Senior Management Team, see the Environmental, Social and Governance Report (page 50).

Board composition

The Directors at 31 December 2023 are shown in the table below. Biographical details of each person who was a member of the Board in 2023 and is a member of the Board at the date of this Report are contained in The Board section of this Report (page 56).

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

Name	Role	Additional role during 2023	Additional role from 5 March 2024[3]
David Stewart	Executive Director	Group Chief Executive Officer (CEO)	-
Adam Castleton	Executive Director	Group Chief Financial Officer (CFO)	-
David Barral[1]	Non Executive Director	Chair	Left the Board on 26 February 2024
Gaby Appleton	Independent Non Executive Director	Senior Independent Director (SID)	Chair of Remuneration Committee Non Executive Director designated for workforce engagement
Darrell Evans[2]	Independent Non Executive Director	Chair of the Remuneration Committee and Non Executive Director for workforce engagement	Interim Chair of the Board Chair of Nominations Committee
James Mack	Independent Non Executive Director	Chair of the Audit & Risk Committee	Chair of the Audit & Risk Committee Senior Independent Director (SID)
Sonya Ghobrial	Independent Non Executive Director	-	-
Simon Embley	Non Executive Director	-	-

Notes:

1 David Barral was considered to be independent prior to his appointment as a Director. David joined the Board as Chair Designate on 3 April 2023 and took over as Chair on 25 May 2023. He left the Board on 26 February 2024.

2 Darrell Evans was considered to be independent on his appointment as Interim Chair on 26 February 2024. We have commenced a search for a new independent Chair.

3 As a result of the Board changes which took place on 26 February 2024, we have revised our Committee memberships.

Board diversity

At 31 December 2023, the Board included six male and two female Directors and it included one person from a minority ethnic background (see above for definition of minority ethnic background). In relation to the Board's senior roles, this included three males (Chair, Group CEO and Group CFO) and one female (SID).

Following the Board changes announced on 27 February 2024 and 6 March 2024, the Board includes five male and two female Directors, with the Board's senior roles held by four males.

The Board's composition does not meet all of the Group's diversity targets, which are aligned to the diversity targets in the Listing Rules and detailed in our Diversity Policy. See Board diversity and inclusion below for further details.

Board skills and experience

During 2023, the Board included skills and experience in the following areas:

Strategy	ESG	Digital products
Technology and digital services	Investor relations	Strategic leadership
Financial services	Risk and compliance	Value creation
Operations	Sales and marketing	Transformation
Governance	Finance	Audit
Residential and commercial property	Employment and human resources	Professional information solutions
Entrepreneurship	Banking and treasury	Financial controls

Independent Non Executive Directors

During the year and as at the date of this Report, each of the Directors identified above as independent continued to meet the criteria set out in provision 10 of the Code.

Director elections/re-elections

All Directors will retire at the AGM and, except for Simon Embley who will step down on 1 May 2024, they will stand for election/re-election. 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 (lslps.co.uk) and are summarised below.

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

Board and Committee meetings in 2023

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. The table below summarises the meetings for 2023 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.

The Disclosure Committee did not meet during 2023.

2023 Board Member	Attendance at Board meetings (including strategy meetings) *(total 13 held in the year)*	Attendance at Audit & Risk Committee meetings *(total 4 held in the year)*	Attendance at Remuneration Committee meetings *(total 4 held in the year)*	Attendance at Nominations Committee meetings *(total 3 held in the year)*
Gaby Appleton	13	4	3	3
David Barral[1]	8		2	1
Helen Buck[2]	4			
Adam Castleton	13			
Simon Embley	13			
Darrell Evans[3]	11	4	4	3
Sonya Ghobrial[3/5]	12	4	3	3
James Mack[3/5]	12	4	3	3
Bill Shannon[3]	8		2	2
David Stewart	13			

Notes:

1 David Barral joined the Board on 3 April 2023 and the table records his attendance following his appointment.

2 Helen retired from the Board on 31 March 2023 and the table records her attendance prior to her retirement.

3 Bill retired from the Board and the Nominations, Remuneration and Disclosure Committees on 25 May 2023 and the table records his attendance prior to his retirement.

4 James and Sonya each missed one Board meeting during the year and Darrell missed two. Ahead of the meeting they each received the papers and were able to provide feedback for the other Directors to consider at the meeting.

5 Sonya and James retired from the Nominations and Remuneration Committee in November 2023 following a review of the membership of these Committees.

Board meeting and decision-making arrangements

At the start of each year, we create a schedule of matters for discussion, which includes special business as well as standing items. This ensures the Board's sessions focus on material matters and strategy. At the end of each meeting during the year, the Board discusses and agrees items for inclusion in the agenda for the next meeting(s).

The Board also has a MRB policy, which identifies matters that require Board approval, matters that are delegated to the Group CEO and Group CFO for approval, and matters which the Board will receive for information. During 2023 the Board reviewed its MRB policy, with the exercise also considering governance best practice, including guidance published by the Chartered Governance Institute. No amendments were identified as being required.

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

Report	Content
Group CEO's report	• Strategy • Key project updates • Commentary on the Group's performance • Material risk issues • Colleague report (detailing colleague matters and KPIs including staff turnover data and whistleblowing reporting) • Living Responsibly ESG KPIs
Group CFO's report	Group financial performance review and other financial and operational matters
Division's report	Each managing director provides a report on: • Financial performance • Risk • Operational matters • KPIs
Governance report	Legal and MRB policy reporting (being either information which is required to be given to the Board or proposals requiring Board approval).
Shareholder report	Report detailing changes to our investor register.
Board planner	Record of meetings conducted during the year, together with agenda items scheduled for future meetings.

During the year, each member of the Executive Committee submitted a report to each scheduled Board meeting, focusing on key matters and risks relevant to the Division or team. In months with no scheduled meetings, the Group CEO and Group CFO continued to report on Group performance and strategic projects.

The Board will also receive special business presentations, which could relate to a particular aspect of strategy, business area, investment opportunity or initiative.

The meeting arrangements ensure we effectively manage the volume of Board reporting. The quality of Board reporting and meeting arrangements are topics specifically covered in the annual Board and Committee evaluation exercise, as we seek to continuously improve our reporting and decision-making arrangements. Further details of our annual evaluation exercise is included below.

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. All Directors have access to the advice of the Company Secretary on governance matters. The Company Secretary's duties include managing meeting arrangements and supporting Director induction and training.

The Directors ensure Board decisions promote the success of LSL for the benefit of our shareholders, taking into account our stakeholders, in accordance with s172 of the Companies Act 2006. Details of how we do this is included in our s172 Statement, which is within the Stakeholder Engagement section of this Report (page 26).

Board decisions in 2023

Set out below is a summary of some of the Board's key decisions during 2023, together with how any relate to our strategy and our key stakeholders:

Key topic	Link to strategy	Relevant stakeholder(s)
Group simplification through divestments:		
The Board approved the disposal of assets which are not core to the Group's strategy. These disposals are in line with our strategy to simplify the Group, focus on developing our B2B business, and reduce exposure to market cycles.		• Shareholders • Colleagues • Customers • Suppliers
Disposal of Marsh & Parsons	Marsh & Parsons, while part of the Estate Agency Division, had operated autonomously from other parts of the Division. After evaluation it was not considered suitable for inclusion in the Group's Estate Agency Franchising business and the opportunity was taken to dispose of for cash at an attractive earnings multiple. The disposal 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.	• Shareholders • Colleagues • Customers • Suppliers
Franchising of the entire Estate Agency networks	The restructuring of Estate Agency into the Franchising Division involved the franchising of the Your Move, Reeds Rains and LSLi brands. Operating a franchise network offers significant advantages, including: • A higher-margin business with a significantly smaller fixed cost base, resulting in improved and substantially less-volatile earnings through housing market cycles. • The continued distribution of related products and services, including long-term provision of financial services. • The potential to grow network footprint without significant additional investment, by supporting the expansion of franchisees and recruiting new franchisees. • The opportunity to benefit from the entrepreneurship and agility of independent franchisees, resulting in a more productive, flexible, and resilient business model.	• Shareholders • Colleagues • Customers • Suppliers
Disposal of D2C broker businesses to Pivotal Growth	The divestments of the Financial Services D2C broker businesses simplified the Group structure, and our strategy is now focused on growing our Financial Services Network business (B2B). The businesses were acquired by our joint venture, Pivotal Growth, which is better placed to increase their value. LSL retains the ability to capitalise on opportunities in D2C financial services through its equity share in Pivotal Growth.	• Shareholders • Colleagues • Customers • Suppliers
Disposal of PRSim property management business	The Group operated a small private rented sector property management business (PRSim), which was subscale in the market. Its divestment has simplified the Group structure.	• Shareholders • Colleagues • Customers • Suppliers
Acquisition to grow the Financial Services Network		
Acquisition of TenetLime	The acquisition of the directly authorised network expands our Financial Services Network business with the addition of appointed representative firms and advisers to the PRIMIS Network. This increases the scale of PRIMIS providing opportunities for scale economies.	• Shareholders • Colleagues • Customers • Suppliers • Regulator (FCA)

Key topic	Link to strategy	Relevant stakeholder(s)
Customer contracts		
Renewal of lender valuation services contracts	e.surv successfully renewed contracts with key lenders, including our contract with the Lloyds Banking Group (which due to its significance falls within our MRB policy). The renewal of these contracts underpins e.surv's strong market position and provides increased security over medium-term income streams.	• Shareholders • Colleagues • Customers
Capital		
Group's banking facility	During the year, the Board approved the amendment and restatement of the Group's banking arrangements. The revised facility provides the Group with capital and balance sheet flexibility, to take advantage of opportunities to support and invest in our strategy.	• Shareholders
Capital allocation policy	The Board has approved the establishment of an Investment Committee and, during the year, reviewed our capital allocation policy. The Investment Committee is responsible for receiving and reviewing investment requests and making recommendations to the Board, in accordance with the capital allocation policy.	• Shareholders
Corporate sustainability		
ESG: The Board considered the development of the Group's sustainability programme	We have focused on developing our Living Responsibly ESG programme and environmental reporting, especially in relation to our reporting under the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). As a result of the Group simplification programme, we have reviewed our purpose statement and the updates are included in this Report. See the Purpose, Strategy, Culture, Values and Business Model section of this Report for the updates to our purpose, strategy and business model.	• Shareholders • Colleagues • Customers
Governance matters (not directly linked to strategy)		
Review of Financial Services Network governance arrangements	We have focused during the year on the development of the governance arrangements within the Financial Services Network business. This included a third-party review, resulting in a number of recommendations which are being implemented. The actions taken include recruiting two additional independent non executive directors onto the PRIMIS Board and the creation of two new committees within the PRIMIS Network (Audit & Compliance and Risk & Customer Outcomes). Together with the two new independent non executive directors, the PRIMIS combined board has three independent non executive directors and one non executive director who was previously the managing director.	• 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 2023, Sonya Ghobrial and David Barral both completed their induction plans (Sonya's started in 2022 and her induction was completed in 2023). Inductions include receiving previous meeting papers, and meetings with members of the Board and the Executive Committee, our corporate brokers and our internal and external auditors. Induction plans also include meetings with significant shareholders and customers (as appropriate), to discuss a range of issues.

For existing Directors, training is arranged as required. This could be triggered by a change in regulation which impacts LSL or by a Director or the Board requesting training or information on a particular subject.

Board and Committee evaluation

Each year, the Directors review the performance of the Board and the Committees in respect of the reporting year, and this was completed in respect of 2023. However, due to the recent Board changes we intend to update the exercise once we have completed our search for a new independent Chair.

For 2023, we chose to undertake the exercise as in previous years using a questionnaire which was completed by all Directors. We decided not to use an external facilitator due to the significant changes to the Group and the Board that took place in the year, because we felt we needed to embed the changes before embarking on an external evaluation, in order to ensure we are getting the best value from the exercise. The responses to the questionnaires were shared with the Board and they contributed to the Board's assessments with regards to the effectiveness of the Directors who are on the Board at the date of this Report. As we are outside of the FTSE 350 companies, we are not required by the Code to undertake an externally facilitated evaluation.

Based on the responses to the questionnaire, the Board has identified the following actions to be completed in 2024 to further enhance our governance arrangements. Our priority is to appoint a new Chair and once this happens, we will update our evaluation exercise, and these actions (if required):

1. **Reporting:** building on the improvements made in 2023, further develop reporting including the development of existing and additional KPIs and ensuring papers and meeting arrangements support continued Board effectiveness.
2. **Succession:** develop the Board's succession planning arrangements with a focus on diversity and ensuring the Board is equipped with the right mix of skills to support the Group's strategy, taking into account the restructuring which has occurred in 2023, and prioritise the development of succession planning arrangements for the Executive Committee, especially in relation to the key roles of Group CEO and Group CFO.
3. **Risk and governance:** develop the Group's arrangements in relation to both Group risk management and climate-related risk and opportunity arrangements ensuring compliance with TCFD. This will include a review of the Audit & Risk Committee composition and its meeting arrangements.
4. **Stakeholder engagement:** continue with the shareholder engagement arrangements ensuring we maintain an open dialogue with our stakeholders, especially our shareholders.
5. **Evaluation/performance:** consider use of an externally facilitated evaluation in the next few years with the new Chair.

In addition to the above actions identified by the annual exercise, we are also looking to appointment three additional independent non executive directors to the Board including two into the roles of non executive chair and senior independent director.

Board and Committee composition

The Board and the Nominations Committee each year review the Board's composition and this is an important part of the Board's succession planning, as it provides an opportunity to review skills and expertise and to agree plans for filling any gaps in and developing the Board's diversity. Further details relating to succession planning, diversity and recruitment are set out below, within the Nominations Committee Report.

Actions in response to the 2022 evaluation exercise

As part of the Board's 2023 year-end review, the Directors assessed the completion of actions identified during the previous year and confirmed that the actions were either completed or deferred for completion in 2024.

These included:

	Agreed action	Progress report
a.	Continue the Board's succession planning with a focus on improving its diversity of skills, gender, ethnicity, experience and social background and, in relation to the NEDs, seek to have a mix of portfolio NEDs and NEDs with executive roles.	**Continuing to progress**
b.	Continue to improve Board reporting, meeting arrangements and communication of Board expectations to the Divisional management teams, to support continued Board effectiveness.	**Continuing to progress**
c.	Consider an externally-facilitated evaluation for 2024.	**Deferred** – the Board decided to defer this, as discussed above.

Nominations Committee Report

During 2023, Bill Shannon chaired the Nominations Committee until he retired on 25 May, with David Barral taking over the role. From 1 January to 13 November 2023, the Committee's other members were Gaby Appleton, Darrell Evans, James Mack and Sonya Ghobrial. On 13 November 2023, following a review of Committee membership, James Mack and Sonya Ghobrial retired from the Committee.

Since 26 February 2024, the Nominations Committee is being Chaired by Darrell Evans and its other members are Gaby Appleton and James Mack. James Mack, as SID, is leading in the search for a new Chair on behalf of the Nominations Committee.

2023 highlights

The Nominations Committee met three times in 2023 and its discussions and decisions included:

a. Bill Shannon's retirement and the appointment of David Barral as Chair Designate and then Non Executive Chair.

b. Extensions of Simon Embley's Non Executive term from 31 December 2023 to the conclusion of the 2024 AGM.

c. Review of the Executive and Senior Management Teams (including the Executive Committee). This included considering the Divisional leadership teams and appointments to senior management roles across the Group, including:

    i. Jon Round moving into the role Non Executive Director of PRIMIS.

    ii. Richard Howells being appointed as the Group Financial Services Director.

d. Review of Board composition, including the Non Executive Directors' skills, experience, expertise, diversity and recruitment.

e. Consideration of the Group's diversity and inclusion projects, and the FCA consultation on the diversity of listed company boards, committees, and senior management teams. The Committee also reviewed and reapproved the Diversity Policy (including the existing targets). See below for further details.

f. Oversight of Senior Management succession planning arrangements, which are being led by the CPO and Group CEO.

g. Annual review of its terms of reference.

Non Executive Director Appointments

Appointment of David Barral as Non Executive Chair

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, which resulted in the appointment of David Barral. This search started in 2022 and was completed in 2023.

We sought to ensure that Heidrick & Struggles presented the Nominations Committee with a diverse longlist from which it could make its selection. From this longlist, Board members selected a shortlist of appointable candidates for interview, following which David Barral was appointed as Chair Designate and then Chair. Bill Shannon did not participate in the search or selection process, which was led by Gaby Appleton.

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 (see below). 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 2023.

Appointment of independent non executive directors into the Financial Services Network

During 2023, as a result of the review of governance arrangements within the Financial Services Network, we sought to recruit two additional independent non executive directors to join the PRIMIS Board. To support us, we selected and appointed HW Global and set it a target in respect of female candidates on the shortlist. For more details, see below.

Voluntary Code of Conduct for Executive Search Firms

Heidrick & Struggles and HW Global are both signatories to the Government's Standard Voluntary Code of Conduct for Executive Search Firms*. We chose this code of conduct because signatories are actively committed to helping clients increase the effectiveness of their boards and senior executive teams and acknowledge the value that diversity brings. Neither firm has any connection to the Group, other than the provision of these services.

Appointment of new Chair and search for additional independent Non Executive Director

Since the Board changes announced on 27 February 2024, we have commenced a process to appoint a new Non Executive Chair, an experienced Senior Independent Director and an additional independent Non Executive Director to strengthen the Board. We have instructed Miles Advisory to assist us with these searches.

Board diversity and inclusion

The Nominations Committee and the Board received presentations on the Group's initiatives to promote diversity and inclusion. Details of these initiatives in relation to colleagues are included in the Environmental, Social and Governance Report (page 50).

The Board has adopted its Diversity Policy, which relates to the diversity of the Board, its Committees and our Senior Management Team (including the Executive Committee). This followed the FCA's publication of the final rules in 2022 and the recommendation of the Nominations Committee. The Policy sits alongside other Group employment policies, which also seek to promote diversity and inclusion across the Group. A copy of the Policy is available at lslps.co.uk.

Summary of the Diversity Policy:

Topic	Policy summary
Importance of diversity	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. 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. 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.
Role of the Nominations Committee	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.
Role of the Remuneration Committee	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.
Annual evaluation	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.
Diversity targets	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).
Annual reporting	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 Management, and their succession plans. It will detail any changes to the Board 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 in the disclosures required by the Listing Rules.
Policy review	The Policy is subject to an annual review by the Nominations Committee on behalf of the Board.

Diversity targets (adopted since April 2022):

	31 December 2023	24 April 2024
Board		
Gender diversity:		
a. At least 40% women	**Target not met:** 33%	**No change**
b. At least one woman in the role of Chair, Group CEO, Group CFO or SID	**Target met:** Gaby Appleton is the SID	**Target not met:** the roles of Chair, Group CEO, Group CFO and SID are held by males
Ethnic diversity: at least one director who is from a minority ethnic[1] background	**Target met:** One	**Target met:** One
Senior Management Team		
Gender diversity: by 1 January 2023, at least 33% are women and at least 33% are men	**Female target met:** 33% female **Male target met:** 67% male	**No change**
Ethnic diversity: by 1 January 2023, at least 11% are from a minority ethnic[1] background	**Target not met:** 5%	**No change**

Note:

[1] Minority ethnic background is defined as from one of the following categories of ethnic background, as set out in the tables in LR 9 Annex 2.1R(b) and LR 14 Annex 1.1R(b), excluding the category 'White British or other White (including minority-white groups)':

- Asian/Asian British.
- Black/African/Caribbean/Black British.
- Mixed/Multiple Ethnic Groups.
- Other Ethnic Group, including Arab.

Changes to the Board or Senior Management diversity between 31 December 2023 and the date of this Report are included in the table above. The definition of Senior Management is determined by the Board and includes members of the Executive Committee and their direct reports who are A1 and A2 grades (excluding Executive Directors).

Our Board and Senior Management targets will be reviewed during 2024 and may be adjusted by the Board, on the recommendation of the Nominations Committee. We would not adopt targets lower than those stipulated in the Listing Rules.

We have not to date met all of our targets relating to Board or Senior Management level diversity. This has been due to limited movement at these levels since the Policy was first adopted in 2022. The limited movement and the Group restructuring mean that there has been limited opportunities to promote or recruit diverse candidates onto the Board or into the Senior Management Team. In relation to the Board, see above for the process we followed in the appointment of David Barral as Chair, including ensuring the selection process was diverse.

In relation to recruitment, the Nominations Committee is focused on ensuring the inclusion of women and individuals from minority ethnic backgrounds in searches for the Board and Senior Management (including Executive Committee). We have reviewed our engagement with recruitment partners for senior roles and ensured that they have signed up to the Voluntary Code of Conduct for Executive Search Firms.* As part of any exercise, we brief our recruitment/search partners on the importance of diversity and inclusion and are also working to ensure the lists they provide meet their commitments in the code of conduct.

By way of example, when selecting the two independent non executive directors for the PRIMIS board, we set HW Global a target for the shortlist to be at least 30% women. HW Global's approach included advertising the roles on prominent platforms such as 'Women on Boards' and 'Dynamic Boards' job board portals, to maximize visibility and attract a diverse range of candidates.

The PRIMIS board also intends to designate one of the new non executive directors to focus on and support workforce engagement within the Financial Services Division. This will include inclusion and diversity initiatives, strategic oversight, and ensuring that diversity and inclusion efforts align with the LSL Group's overall goals and objectives.

During 2024, we will continue to promote diversity and develop our approach (including setting targets where appropriate) when engaging recruitment/search partners, to ensure the promotion of our diversity and inclusion priorities for prospective applicants.

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

Diversity metrics and targets

The data set out below related to the Board and Executive Committee as at 31 December 2023 (2022: 4 March 2023) and the date of this Report:

Table 1 reporting on sex/gender representation

Gender	Number of Board members[1]	% of Board	Number of senior positions on the Board[2]	Number in Executive Committee[3]	% of Executive Committee
Men					
31 December 2023	6	75	3	6	67
	(2022: 7)	(2022: 78)	(2022: 3)	(2022: 7)	(2022: 78)
24 April 2024	5	71	4	5	71
Women					
31 December 2023	2	25	1	2	33
	(2022: 2)	(2022: 22)	(2022: 1)	(2022: 2)	(2022: 22)
24 April 2024	2	29	0	2	29
Other categories					
31 December 2023	-	-	-	-	-
24 April 2024	-	-	-	-	-
Not specified/prefer not to say					
31 December 2023	-	-	-	-	-
24 April 2024	-	-	-	-	-

Notes:

1 LSL Board includes all Executive and Non Executive Directors.

2 Senior positions are the Group CEO, Group CFO, Chair of the LSL Board and Senior Independent Director.

3 Executive Committee includes all colleagues with a direct reporting line to the Group CEO that attend Executive Committee meetings and provide leadership to the Group (excluding Executive Directors).

Table 2 reporting on minority ethnic background[2] 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)					
31 December 2023	7 (2022: 8)	88 (2022: 89)	4 (2022: 4)	7 (2022: 7)	88 (2022: 78)
24 April 2024	6	86	4	6	86
Mixed/Multiple Ethnic Groups					
31 December 2023	1 (2022: 1)	12 (2022: 11)	-	-	-
24 April 2024	1	14	-	-	-
Asian/Asian British					
31 December 2023	-	-	-	1 (2022: 1)	12 (2022: 11)
24 April 2024	-	-	-	1	14
Black/African/Caribbean/Black British					
31 December 2023	-	-	-	- (2022: 1)	- (2022: 11)
24 April 2024	-	-	-	-	-
Other Ethnic Group, including Arab					
31 December 2023	-	-	-	-	-
24 April 2024	-	-	-	-	-
Not specified/prefer not to say					
31 December 2023	-	-	-	-	-
24 April 2024	-	-	-	-	-

Notes:

1 Senior positions are the Chair, Group CEO, Group CFO and Senior Independent Director.

2 Minority ethnic background is defined as from one of the following categories of ethnic background, as set out in the tables in LR 9 Annex 2.1R(b) and LR 14 Annex 1.1R(b), excluding the category 'White British or other White (including minority-white groups)':
- Asian/Asian British.
- Black/African/Caribbean/Black British.
- Mixed/Multiple Ethnic Groups.
- Other Ethnic Group, including Arab.

The 2022 reporting on minority ethnic background incorrectly reported that we had no member of the Board who is from a minority ethnic background. This arose due to an error in our data collection which has been rectified and the reporting has been corrected in the table above.

Further details relating to colleague diversity matters are included in the Enviromental, Social and Governance Report (page 50), including our reporting on gender pay and gender and ethnic diversity in our Senior Management Team and the wider workforce.

The Living Responsibly Report 2024, which is published at the same time as this Report and is available on our website (lslps.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 Group's desired culture is to be:

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

b. **Doing the right things:** which deliver customer expectations.

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

In addition to the Group culture, the following two Divisions have also established and published culture and value statements, which sit alongside the Group culture and are monitored within the Divisional governance structures. The Estate Agency Franchising Division, having undergone a significant restructuring in the year, will establish and publish its culture and value statements in 2024.

Division	Culture
PRIMIS Network	At PRIMIS we are passionate about doing the right thing for all stakeholders: brokers, customers, partners and our employees.
e.surv	Our purpose, vision and values underpin everything we do at e.surv, every day. They define us and set the tone for the way we work and because we believe that success comes from within, we've developed an honest and open culture that empowers our people to do their best, and enables our business to deliver results.

Further information on our culture is also included in our ESG reporting and our Living Responsibly Report 2024.

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

a. Monitoring employee engagement, as part of the Board engagement programme:
    i. Results of the annual employee survey and regular pulse surveys are reported to the Board throughout the year.
    ii. The Group's whistleblowing policy (including an updated 'Speak Up' policy) has been approved by the Board and is included within our MRB policy. The Board also receives annual reporting on our whistleblowing arrangements.
    iii. The Group held a Senior Management Conference in 2023 and the content of the conference was shared with the Board.
    iv. The Designated Non Executive Director for Workforce Engagement (Gaby Appleton with effect from 5 March 2024 and previously Darrell Evans) attends meetings with the Employee Engagement Forum each year. The composition of the Employee Engagement Forum was revised in 2023 to ensure it is more representative of the Group's workforce, following the Group simplification which saw the total number of employees reduce from c4,000 to 1,752.
    v. The CPO reports and presents regularly to the Board on Group HR matters, including colleague engagement and communication arrangements.
    vi. The Board receives regular updates on the work of the Group's Communities and Inclusion and Diversity forums, which are chaired by and made up of colleagues from across the Group.
b. Receiving an annual presentation on the Group's culture, from the Group HR Team.
c. Receiving regular 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 CPO.
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 did not meet during 2023 and any determination of information of inside information was carried out by the Board.

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 on page 71) 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. We are continuing to work on the delivery of online remote training for Group directors and we have Group subsidiary governance guidance in place.

During the year we improved our governance arrangements within our Financial Services Network business, as described earlier in this section of the Report. Progress with some of our other governance initiatives was impacted by the Legal and Company Secretariat Teams being focused on delivering the strategic projects.

Colleague matters

Gender pay reporting

We published our gender pay reports for all Group companies with more than 250 employees in April 2023 and further reporting will be published in 2024. The 2023 report is available to view at gender-pay-gap.service.gov.uk.

Ethnic 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 are also signed up to the CBI's Change the Race Ratio charter which requires us to:

a. Set and publish targets for Board diversity – which we do.

b. Set and publish targets for the Executive Committee and the Senior Management Team – which we do. Publish ethnicity pay gap reporting within two years of joining – we intend to complete this work during 2024.

For further details, see the Environmental, Social and Governance Report (page 50).

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 85) and the Principal Risks and Uncertainties (page 29) sections of this Report.

The Environmental, Social and Governance Report (page 50) 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
24 April 2024

Audit & Risk Committee Report

Dear Shareholder

As Chair of this Committee, I am pleased to present our report for the year ended 31 December 2023.

In this section of the Report, we detail how the Committee discharged its roles and responsibilities during 2023, provide highlights from the year and set out our priorities for 2024. We also provide an update on our 2023 priorities.

During the year, the Group has made substantial progress implementing our strategy to simplify the business, reduce our exposure to the volatility of future housing cycles within our Financial Services and Estate Agency Franchising Divisions and focus our investment on high-growth areas. We have also invested in the governance arrangements of our Financial Services Network and monitored the implementation of the FCA's new Consumer Duty and the Appointed Representatives Regime.

We have continued to manage our key risks and to identify emerging risks. However, due to the amount of change the Group underwent in the year, we have deferred some of the enhancement of our internal controls and risk management arrangements, which we intend to progress in 2024, taking the new Group structure and operating model into account.

The Committee has also started the process of tendering for external audit services, noting that Ernst & Young's tenure cannot continue beyond the full year 2025 audit.

The Group's 2024 priorities include concluding the external audit tender process; embedding the new governance arrangements in the PRIMIS Network and ensuring our control environment reflects strategic updates.

I will be available at the 2024 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 2023.

James Mack
Chair of the Audit & Risk Committee

24 April 2024

Audit & Risk Committee

The Audit & Risk Committee discharges governance responsibilities in respect of audit, risk and internal controls and reports to the Board on its work. The Committee's roles and responsibilities are set out in its terms of reference, which are available at lslps.co.uk. The Corporate Governance Report also summarises the Committee's roles and responsibilities and describes how the Committee forms part of the Group's governance arrangements.

Membership

All of the Committee's members are independent Non Executive Directors. James Mack has chaired the Committee since September 2021 and during the annual Board and Committee evaluation, 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 Committee member, has recent financial experience which is relevant to the Committee.

The Committee holds three scheduled meetings each year and meets at other times as required. The Committee also ensures that it meets regularly with both the external and internal auditors, independently of the Executive Directors. The Committee members' attendance at its meetings in 2023 are set out in the Corporate Governance Report (page 65).

The remainder of this section of the Report is split as follows:

1. The Committee's key discussions, decisions and activities in 2023.
2. The Committee's work in relation to this Report.
3. An update on the Committee's priorities for 2023, as set out in the 2022 report.
4. The Committee's areas of focus for 2024.

Committee discussions, decisions and activities in 2023

Area	Activity

Financial reporting
Annual Report and Accounts 2022
2023 Interim Results
	• Provided assurance to the Board that the 2022 Annual Report and Accounts, taken as a whole, was fair, balanced and understandable.
	• Examined the integrity of the full year and half year Financial Statements and recommended their approval to the Board.
	• Considered:
	  • The accounting for the franchising of the entire owned estate agency network (183 branches). This resulted in the Group re-examining the accounting treatment for a much smaller transaction in the first half of 2019, when 39 owned estate agency branches were franchised. This resulted in goodwill being written down by £5.2m and a franchise intangible (net of amortisation and associated deferred tax) of £1.2m being recognised, with a cumulative non-cash impact on retained earnings at 1 January 2022 of £4.0m.
	  • The prior-year restatement of the fair value less the disposal costs of Marsh & Parsons as at 31 December 2022, which had been reported as held for sale. On re-examination of the judgements taken at that time, the Group restated its prior-year financial statements to reduce this value by a further £2.0m.
	Both restatements were included in our 2023 interim results and are included in these Financial Statements.
	• For 2022 reporting, reviewed the annual goodwill impairment test and the carrying value of goodwill, and 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.
	• Reviewed Management's application of revenue recognition policies and monitored compliance with financial reporting and accounting controls linked to revenue recognition. The Committee also assessed the revenue arrangements applied following the change in Estate Agency to a wholly franchised business model.
	• Reviewed Management's estimates of the commission refund liability 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 Group's Non-Financial and Sustainability Information disclosures, including TCFD.

Capital structure	• Assessed the Group's capital structure and capital allocation policy, including the dividend policy.
Internal controls	• Considered the effectiveness of the wider control environment and underlying financial reporting systems. • Considered outputs from the Divisional 'three lines of defence' audit, 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.
Going concern and viability	• Assessed the measures to ensure the Group maintains sufficient liquidity, together with the stress tests and financial modelling assumptions used to conclude on the Group's Going Concern Statement and Viability Statement in respect of the 2022 Financial Statements. • Reviewed the Viability Statement and Going Concern Statement 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.
Internal Audit	• Oversaw the Group's Internal Audit arrangements and ensured the function's independence. The Director of Group Internal Audit has a dotted reporting line into the Committee Chair. • Approved the annual Internal Audit plan, including the wider three-year assurance cycle, the Internal Audit charter and related resourcing assessments for the Internal Audit team. • Considered the results of an extensive range of related thematic assurance reviews. Focus areas included FCA-led regulatory changes, second-line effectiveness, information security and data protection arrangements, financial controls, valuation controls, Group simplification and Pivotal Growth. • Focused on Management's closure of outstanding actions arising from Internal Audit reports and invited Divisional managing directors to present to the Committee on outstanding actions. • Assessed Internal Audit's effectiveness through internal feedback and benchmarking against the Institute of Internal Auditors professional standards, following an external quality assurance exercise the previous year. • Focused on second-line effectiveness reviews and co-ordination of assurance plans across the lines of defence.

Area	Activity
Financial Services Network	• Monitored arrangements in the Financial Services Division relating to the implementation of the new Consumer Duty and AR Regime requirements. • Received a presentation from the managing director and chair of the PRIMIS board.
Risk	• Reviewed the Group's principal risks and uncertainties and the disclosures in the 2022 Annual Report and Accounts and 2023 interim results. • Reviewed Divisional risk presentations, including views on key and emerging risk, risk management frameworks and consideration of Group matters not fully captured at Divisional level. • Reviewed Divisional risk arrangements, including risk appetite themes, escalation routines and routines to define, identify and respond to areas outside risk tolerance. This work included a focus on the development of risk management structures and governance routines within PRIMIS. The Committee ensured the Divisions take a cautious approach to risks relating to health and safety or sales conduct. • Monitored the development of the risk framework and related governance structures within the Financial Services Network, including the appointment of two independent non executive directors to the PRIMIS board and the creation of new Audit & Compliance and Risk & Customer Outcomes committees, which are being chaired by the new non executive directors. • Reviewed the operation of our three lines of defence risk management structures across the Group and concluded that the risk management frameworks are effective. • Promoted a culture which is designed to ensure regulatory compliance, stakeholder safety and 'speaking-up' on any concerns.

External audit	• Considered the external auditor's independence, specifically:
	  • ensuring Ernst & Young had adequate processes to maintain its independence;
	  • compliance with our Audit Independence Policy, which includes our policy on the Group employing the auditor's former employees and our allocation of non-audit work; and
	  • Ernst & Young's report on its independence arrangements and confirmation to the Committee that it considered itself to be independent.
	• Concluded that Ernst & Young continued to be independent.
	• Oversaw the appointment of the new audit partner. David Wilson was appointed as the audit partner in 2023 but is unable to continue beyond this year due to his previous period serving as the engagement quality control reviewer on the audit. Mark Woodward has been appointed as our new audit partner for 2024.
	• Reviewed the materiality and effectiveness of audit 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, including consideration of the prior-year restatements detailed above.
	• Considered the auditor's fee. The only fees incurred in respect of non-audit services were in relation to the interim review, which included the prior-year restatement considerations (see note 11).
	• 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 and the Group Finance team.
	• Recommended Ernst & Young's reappointment as external auditor at the 2023 AGM, following consideration of its effectiveness and independence.
	• Continued planning for an external audit tender exercise in 2024. Ernst & Young's audit tenure began in 2004 and LSL listed on the LSE in 2006. LSL and Ernst & Young have concluded that Ernst & Young's 20-year term cannot exceed 20 years from our listing. This means 2024 is the last year it can provide audit services to the Group, as the audit of the 2025 financial statements will take place in 2026. A new external auditor will therefore be appointed before the 2025 audit. The last audit tender took place in 2016.

Area	Activity
Governance	• Discussed the Group's whistleblowing arrangements and recommended that the Chief People Officer present to the Board on the Group's whistleblowing policy and processes, with the presentation taking place later in the year. • Reviewed the Committee's terms of reference and the CPO,taking into account the FRC's review of the Code and its associated guidance. The Committee also considered whether to adopt the Audit Standard early and decided to defer its decision until the FRC completed its review of the Code. • Received updates in relation to Group and Divisional governance structures. • Tracked completion of Committee priorities for 2023 which were included in the 2022 Report (see update below). • 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. • Received updates on the FRC's review of the Code in relation to matters relevant to the Committee's role and responsibilities including consideration of the Audit Committee and External Audit: Minimum Standard.

Activities in 2024 relating to this Report (see also note 2 to the Financial Statements for details of the significant issues which were considered in relation to the Financial Statements and how these were addressed). The Committee has undertaken the following activities on behalf of the Board:

Area	Activity
Reporting balance	Considered whether this Report taken as a whole, is fair, balanced and understandable.
Significant issues	Examined the integrity of the full year Financial Statements and recommended their approval to the Board. This included a review of significant issues in relation to the Financial Statements as outlined in note 2. These included accounting for discontinued operations following the franchising of the Estate Agency Division and disposal accounting for several non-core businesses in H1 2023. The committee also considered a number of prior-year restatements relating to original accounting for a previous franchising transaction in 2019, adjustments to assets held for sale and customisation costs in computing arrangements and cash offsetting, as set out in note 36.
Accounting policies	Assessed the appropriateness of key accounting policies and practices, judgements, estimates and compliance with accounting standards and tax requirements, including recent developments. In particular, the Committee has considered the appropriateness of revenue recognition, including commission refund liabilities provisions, and the carrying value of goodwill.
	Reviewed Management's calculations and assumptions applied in the annual goodwill impairment test. Following the disposal of goodwill of £38.1m in the year there was no impairment required upon assessment of the remaining balance (see note 17).
	Noting the reduction in goodwill and the current level of headroom, 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 17).
	Reviewed Management's application of revenue recognition policies and continued monitoring of compliance with financial reporting and accounting controls linked to revenue recognition. The Committee also assessed the revenue arrangements applied following the change in Estate Agency to a wholly franchised business model (see note 2).
	Reviewed Management's estimates of the commission refund liabilities 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.
Going concern and viability	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 (see pages 29 to 33 of Principal Risks and Uncertainties).
Capital structure	Assessed the Group's capital structure and capital allocation policy including the dividend policy.
ESG	Reviewed the Group's Non-Financial and Sustainability Information disclosures including TCFD and the CFD.

Updates on 2022 priorities

In the 2022 Report, the Committee listed the following areas of focus, which have been progressed in 2023:

Focus area	Status
Continued focus area in 2023	
• 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.	• The Committee has continued to monitor emerging areas of risk. • The Committee monitored the Financial Services Network successfully completing its implementation of arrangements relating to the new FCA Consumer Duty and the AR Regime.
• Promoting ownership and alignment of robust risk management routines across all of our businesses and lines of defence.	• The Committee monitored the development of the risk management framework and governance arrangements within the Financial Services Network. • The Committee received Internal Audit reports including in relation to Pivotal Growth (joint venture).
• Developing escalation and attestation routines from underlying committee structures on risk and control matters.	• The Committee monitored the development of the risk management framework and governance arrangements within the Financial Services Network including escalation routines. • The Committee monitored DISC's continued operation of an attestation process to confirm adherence to data protection and information security minimum standards.
• Ensuring robust and resilient cyber security controls. This will involve feedback from the technology assurance routines driven by relevant governance forums and oversight functions.	• The Committee noted Management's review of cyber insurance arrangements as part of the annual Group insurance renewal process. • The Committee noted DISC continued to monitor IT security and discussed risks associated with the use of AI (in particular ChatGPT).
• Reviewing Internal Audit engagements covering the effectiveness of financial controls, regulatory change management, technology risk and second-line oversight routines.	• Internal Audit activities are reported to each Committee meeting. • Each year the Committee also reviews the audit plan for the following year and reviews the effectiveness of the team.
New focus areas for 2023	
• Developing the Group risk framework and risk appetites, including a review of risk management roles.	• The focus this year has been on developing the Financial Services Network risk management framework and governance structures.
• Continuing to plan for the appointment of a new external auditor ahead of 2026, including conducting the audit tender exercise.	• The audit tender process continued to progress during the year (see above).
• Monitoring risks associated with delivery of the high-priority projects and any related Group restructuring/simplification.	• The Group delivered on several strategic transactions during the 2023 projects, which were monitored through to their completion.
• 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.	• An external review of the Financial Services Network's governance arrangements was completed and recommendations reported to the Board. • This review led to the appointment of two additional independent non executive directors on to the PRIMIS board and the creation of two new committees (see above).
• Reviewing our participation in the Pivotal Growth joint venture, reflecting its part in the Group's growth strategy.	• The annual strategy meeting and the Internal Audit plan in 2023 both included a review of Pivotal Growth.

Priorities for 2024

In relation to 2024, the Committee has identified the following priorities for their focus:

a. Completion of the audit tender process and the appointment of a new external auditor to conduct the 2025 full year audit.

b. Continued focus on second-line effectiveness and co-ordination of the assurance plans across all lines of defence.

c. Review of Divisional risks post-simplification of the Group in 2023, taking into account development of new strategic initiatives which are outlined in our strategy report.

d. Continue to oversee the development of processes to support Management representations to the external auditor.

e. Review and update Group governance arrangements ahead of the new Code requirements which will apply to LSL from 1 January 2025 and 2026. This will include a review of internal controls and associated reporting and consideration of the new Audit Committee Minimum Standard.

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

James Mack
Chair of the Audit & Risk Committee
24 April 2024

Directors’ Remuneration Report including Remuneration Committee Report

Annual Statement

Dear Shareholders

I am pleased to present the Directors’ Remuneration Report for 2023 following my appointment as Remuneration Committee Chair on 5 March 2024, with Darrell Evans (the Remuneration Committee Chair prior to this date) assuming the role of Interim Non Executive Chair of the Board.

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

- **Annual Statement:** summarising remuneration outcomes for 2023, explaining decisions made during the year and the operation of the Directors’ Remuneration Policy for 2024.
- **Directors’ Remuneration Policy (Policy):** a summary of the main elements of the Policy that was approved by shareholders with 99.99% of the votes cast at the 2023 AGM. The full Policy is included in the Directors’ Remuneration Report in the Annual Report and Accounts 2022.
- **Annual Report on Remuneration:** setting out details of the remuneration earned by Directors in 2023 and how the Policy will be implemented during 2024.

The Annual Statement and the Annual Report on Remuneration are subject to a combined shareholder advisory vote at the 2024 AGM.

LSL’s performance in 2023

2023 has been a transformational year for the Group, with significant strategic progress made to simplify the Group and focus on business-to-business services. This included the successful conversion of the Estate Agency Division into a franchise business, the disposals of Marsh & Parsons and our direct-to-consumer financial services businesses and the agreement to the acquisition of the TenetLime mortgage network. During the year, good progress was also made against our Living Responsibly ESG priorities which included increasing ethnic diversity across our workforce, continuing to promote an inclusive culture through our Inclusion and Diversity Forum and investing in our local communities through the work of our Communities Forum.

The Group’s financial performance over the year was, however, impacted by significant changes in the mortgage market and the increase to the Bank of England’s base rate in June. As a result of these challenging market conditions, financial performance was lower than our expectations at the start of the year, with revenue at £176.8m and Underlying Operating Profit of £9.3m. It is within this context that the Committee has reviewed remuneration for the year.

Incentive outcomes

Annual bonus

The Executive Directors’ bonus scheme was based 70% on Underlying Operating Profit and 30% on the successful delivery of strategic objectives, with the maximum bonus opportunity set at 100% of basic salary. The bonus targets were set at the start of 2023 and reflected the market outlook at the time. As a result of market conditions that proved significantly more challenging than expected during the second half of the year, when the Bank of England unexpectedly increased the base rate in June, the threshold Underlying Operating Profit target was not met. The significant restructuring of the Group highlighted the good progress made against strategic objectives, with 65% for the Group CEO and 62% for the Group CFO, demonstrating strong delivery against most objectives other than shareholder value, which was naturally impacted by the reduced profitability. The impact on financial performance for the year resulted in only very limited bonuses being made payable to colleagues more broadly and notwithstanding the strong progress made against the strategic targets, the Committee concluded that it would not be appropriate for bonuses to be awarded to the Executive Directors. Both the Group CEO and Group CFO also independently concluded that no bonus would be accepted and made this known to the Committee. As such the Committee exercised discretion to reduce the formulaic bonus outcome to zero.

LTIP

As set out in last year’s Directors’ Remuneration Report, the 2020 LTIP was granted later than normal as the COVID-19 pandemic made it difficult to set targets. This award was also scaled back from 125% to 104% of salary, to reflect the lower share price at grant compared to the prior year. The TSR element, which was assessed exceptionally over a three-year period from grant to 8 November 2023, has now been tested, with vesting at 41.1% of maximum. Combined with the EPS outcome of 47.2% of maximum, this provides an overall vesting level of 44.1% of maximum. The Committee is comfortable there are no circumstances requiring a potential scale back as a result of ‘windfall gains’, noting the share price on vesting was £2.39 and the grant price was £2.10, in addition to the scale back of the award on grant.

The 2021 LTIP was based 50% on adjusted EPS and 50% on relative TSR performance measures. Performance against the stretching EPS targets was below threshold and as a result there is no payout under the EPS element. Performance between median and upper quartile against the FTSE SmallCap (excluding investment trusts) resulted in 44.7% of maximum vesting under the TSR element. The award overall will therefore vest at 22.4% of maximum. Again, the Committee is comfortable there are no windfall gains to consider, noting that the awards were granted in May 2021, at a share price of £4.09 which is well above the current share price of £2.70.

Further details of performance against the targets for the annual bonus and LTIP awards are set out in the Annual Report on Remuneration (page 104).

In determining whether the incentive outcomes for 2023 were appropriate and if the Policy had operated as intended, the Committee considered the underlying performance of the Group's businesses, workforce remuneration and incentive outcomes. The Committee also considered whether there were any relevant ESG matters that needed to be taken account of and concluded that there were none. The Committee concluded that the Policy has operated as intended, that it was appropriate to scale back the payment under the annual bonus to zero given overall profitability for the year but that no adjustment to the formulaic outcomes of the 2020 and 2021 LTIPs vesting was required. The Committee noted the moderate level of vesting against longer-term financial and relative TSR performance, as well as being comfortable there were no circumstances resulting in windfall gains for the awards.

2023 LTIP award

The Annual Statement in 2022, set out the Committee's intention to grant, at the normal time, the 2023 LTIP award of 125% of basic salary to the Executive Directors. It was also noted that a further LTIP award of up to 75% of salary may be granted later in the year, depending on progress against various strategic projects. The EPS targets which the Committee expected to set for the awards based on market conditions at that time in relation to 50% of the normal LTIP award were included within the report.

We were prevented from granting the 2023 LTIP awards until November 2023, because of restrictions under the UK MAR connected to financial reporting and the progression of our strategic projects. By the time the awards were granted in November, the economic outlook and market expectations had significantly changed since we considered EPS targets in early 2023, with high inflation and significantly higher interest rates impacting all aspects of our business. As a result, the EPS target range we set for the 2023 LTIP award is different to that set out in the 2022 Report, at 16.0 pence to 24.0 pence compared to 25.4 pence to 33.0 pence. The Committee is aware that the range is significantly reduced from that envisaged in early 2023. However, we consider the revised range to appropriately balance achievability at the lower end of the range and stretch at the top end, taking into account the significant impact on our business of increased interest rates during 2023, and various scenarios in terms of timing for rate reduction and the recovery of the business. We have not changed the TSR performance target range.

Noting the lower target range and the lower share price determining the number of shares subject to the 2023 award compared to the 2022 award, the LTIP award for the Executive Directors was scaled back from the normal award of 125% of salary to 100% of salary. No additional LTIP grant was made during the year.

Implementation of the Policy for 2024

The Executive Directors will receive salary increases of 3%, rounded to the nearest £250. This increase is at the lower end of the pay increases awarded across the wider workforce which ranges from 3-10% of salary (with the exception of Real Living Wage increases). Colleagues in the lowest pay grades will receive the highest increases, to help address ongoing 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 opportunity will be unchanged at 100% of salary. Performance will be measured 70% on Underlying Operating Profit and 30% on strategic objectives. The strategic objectives will be focused on driving growth within our three Divisions; Financial Services, Surveying & Valuation and Estate Agency Franchising, in addition to progressing our ESG priorities. The strategic objectives will be disclosed in full in next year's report.

The Executive Directors will be granted LTIP awards in line with the normal award level of 125% of salary. Performance will be assessed 50% against EPS and 50% against relative TSR. These performance conditions continue to be used for our LTIP awards with TSR rewarding the delivery of long-term returns to our shareholders and EPS is a KPI for the Group measuring financial growth. Details of the targets applying to these awards can be found later in this report. The EPS target range reflects the ongoing volatile market outlook and uncertain timing for recovery of the business.

Colleague pay

The Committee continues to ensure it understands the workforce's views on remuneration. Darrell Evans as our designated Non Executive Director for Workforce Engagement during 2023, with the support of our Chief People Officer engaged with the Colleague Engagement Forum. Topics discussed with the Forum during the year included the colleague engagement survey, a review of benefits, succession planning and performance. I am assuming the role of Workforce Engagement Director and will be delighted to support our Colleague Engagement Forum in the forthcoming year.

During 2023 we made significant progress towards becoming a Real Living Wage employer. We will continue to build on this progress in 2024 by embedding this into our 2024 Colleague Pay Review principles.

In October, we invited colleagues to take part in the 2023 Sharesave scheme, offering a 20% discount on the option price. Participation in the scheme increased from previous years with 20% of the workforce applying to the scheme compared with 16% in 2021.

Committee arrangements and Board changes

Details about the Committee’s membership and its meetings during 2023 are included in the Corporate Governance Report.

As shareholders would have noted from our RNS released on 27 February 2024, David Barral left the Board as Non Executive Chair on 26 February and Darrell Evans was appointed as Non Executive Interim Chair thereafter. There have been some other consequential changes as set out on page 71. The fees for the Non Executive Directors will be aligned to the new roles and within our shareholder approved policy.

Conclusion

While good progress has been made during 2023 with delivery of our strategic priorities, changes in the mortgage market largely as a result of increased interest rates significantly impacted financial performance and this is reflected in our bonus and LTIP outcomes. The Committee believes that the remuneration outcomes for the Executive Directors are aligned to performance, shareholder value and consistent with the approach taken to colleagues more generally. In addition, the Committee is comfortable with targets set for the 2023 and 2024 LTIP awards, taking into account the market and business outlook.

The Committee continues to welcome shareholder feedback and will proactively engage in relation to any changes to the Policy or significant changes to the application of the Policy. During the year, there were no remuneration-related items that required engagement with shareholders. I will be pleased to hear from you if you have any specific feedback or questions on our approach to remuneration. I look forward to your support for the advisory resolution on the Directors’ Remuneration Report at our forthcoming Annual General Meeting.

Gaby Appleton

Chair of the Remuneration Committee

24 April 2024

Directors' Remuneration Policy

Introduction

This part of the Directors' Remuneration Report summarises 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 subsequent amendments.

The Policy was approved by shareholders at our AGM on 25 May 2023 and is intended to apply until the 2026 AGM. Full details of the Policy can be found in the Directors' Remuneration Report in the Annual Report and Accounts 2022.

Consideration of Code Provision 40

In determining the Policy and its operation, the Committee assessed the following six Code factors:

- *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 Gaby, the Remuneration Committee Chair and designated Non Executive Director for Workforce Engagement, and for our Chief People Officer. This engagement is conducted via meetings with our Employee Engagement Forum and our colleague surveys, the results of which are presented to the Board. Further details on our colleague engagement are included in the Stakeholder Engagement section of this Report and the Living Responsibly Report 2024.
- *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, behavioural and other risks are managed and will not be rewarded via (i) a balanced use of fixed and variable pay, with both short and long-term incentive plans, which employ a blend of financial, non-financial and 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 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. See Purpose, Strategy, Culture, Values and Business Model for further details.

Policy

Element of remuneration arrangements	How this component supports LSL strategies	Operation	Maximum	Performance metrics and period
Basic salary	• Reflects the value of the individual and their role. • Reflects skills and experience over time. • Provides an appropriate level of basic fixed income, avoiding excessive risk arising from over reliance on variable income.	• Reviewed annually, normally effective 1 January (with effect from 2024 moved to 1 April to align with workforce review date). • Periodic comparison to companies with similar characteristics and sector comparators.	• There is no prescribed maximum annual basic salary increase. • The Committee is guided by the general increase for employees but may decide to award a lower increase for Executive Directors, or a 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.	• Not applicable.

Element of remuneration arrangements	How this component supports LSL strategies	Operation	Maximum	Performance metrics and period
Annual bonus	• Incentivises annual delivery of financial and strategic goals. • Maximum bonus only payable for achieving demanding targets.	• Targets reviewed annually. • Bonus level is determined by the Committee after the end of the financial year, subject to performance against targets set at the start of the financial year. • The Committee has the discretion to adjust or override formulaic outcomes for the 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 Director(s) is 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.	• 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.	• Performance period of one year. • Performance metrics: – a maximum of 30% of the award will be determined by non-financial measures and a minimum of 70% by financial measures; and – not more than 20% of the total bonus will pay out at threshold.

Element of remuneration arrangements	How this component supports LSL strategies	Operation	Maximum	Performance metrics and period
LTIP awards	• Aligned to Group key performance indicators that drive the strategies and performance of the businesses.	• Awards of nil-cost or conditional shares are made annually, with vesting dependent on achieving performance conditions over three years. • The 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.	• Normal maximum limit of 125% of basic salary, with grants of up to 200% of basic salary being made in exceptional circumstances.	• Performance period: normally three years. • A two-year post-vesting holding period applies 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.

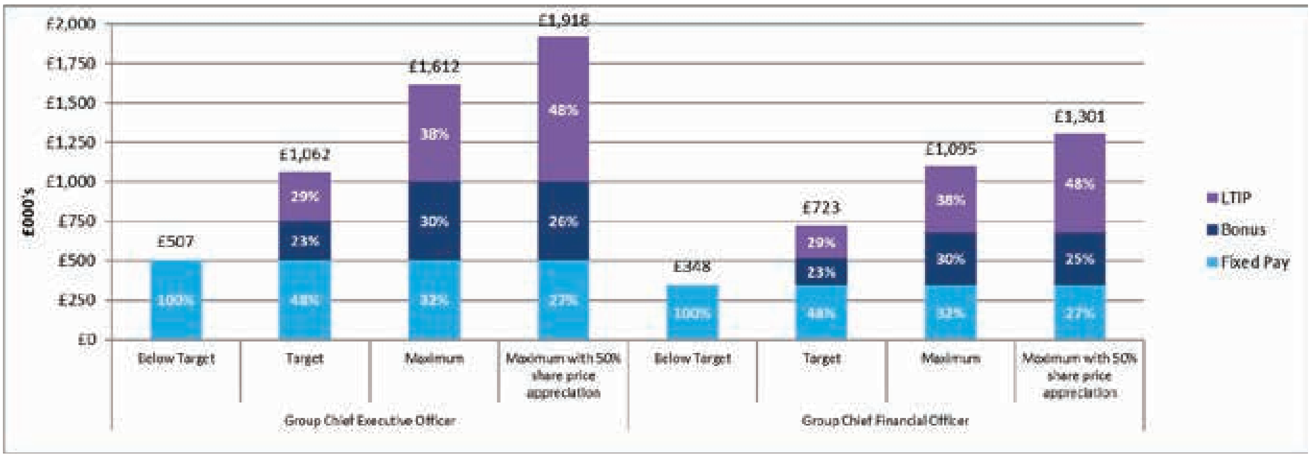
Element of remuneration arrangements	How this component supports LSL strategies	Operation	Maximum	Performance metrics and period
All-employee share schemes: SAYE, SIP/BAYE and CSOP	• Encourages long-term shareholding in LSL.	• Invitations from the Remuneration Committee under the approved SAYE, SIP/BAYE and CSOP.	• As per HMRC limits.	• None.
Executive share ownership guidelines	• Aligns Executive Directors and shareholders.	• The Group 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 Director(s) is 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: – 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. – The two-year holding period for annual bonus shares continues post-employment. – The two-year post-vesting holding period for LTIP awards continues post-employment.	• Minimum of 200% of basic salary for Group CEO and 150% of basic salary for the other Executive Director(s) – no maximum.	• None.

Element of remuneration arrangements	How this component supports LSL strategies	Operation	Maximum	Performance metrics and period
Benefits	• Provides insured benefits to support the Executive Directors and their families during periods of ill health, or in the event of accident or death. • Car allowance facilitates travel.	• Includes car allowance, life assurance and private medical insurance. Other benefits may be provided where appropriate. • Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.	• At cost.	• None.
Pension	• Provides modest retirement benefits. • Opportunity for Executive Directors to contribute to their own retirement plan.	• Defined contribution. • HMRC approved arrangement.	• 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	• To provide fees reflecting the time commitments and responsibilities of each role, in line with those provided by similarly sized companies.	• 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).	• There is no prescribed maximum annual fee increase, although there is a total fee cap of £750,000 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.

Reward scenarios (illustration of application of the Policy for 2024)

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, 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:

Scenario	Salary, pension and benefits	Annual bonus outcome (% of maximum)	LTIP outcome (% of maximum)
Minimum (fixed remuneration)	Basic salary as applicable from 1 April 2024. Pension in line with Policy. Benefits as reported for the previous financial year.	Nil	Nil
On-plan performance (target achievement)		50%	50%
Maximum performance (exceeds target)		100%	100%
Maximum performance plus share price appreciation		100%	100% + 50% share price growth

Service contracts for Executive Directors

The service contracts for the two Executive Directors 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 Directors' service agreements are available for inspection at the Company Secretary's office (see Shareholder Information at page 203 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.

Non Executive Directors

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 who are on the Board at the date of this Report.

Director	Date original term commenced	Date current term commenced	Expiry date of current term
Gaby Appleton Independent Non Executive Director, Chair of the Remuneration Committee	1 September 2019	1 September 2022	31 August 2025
Simon Embley Non Executive Director	1 January 2015	1 January 2021	2024 AGM
Darrell Evans Non Executive Interim Chair and Interim Chair of the Nominations Committee	28 February 2019	28 February 2022	27 February 2025
James Mack Independent Non Executive Director, Senior Independent Director and Chair of the Audit & Risk Committee	27 September 2021	–	26 September 2024
Sonya Ghobrial Independent Non Executive Director	4 March 2022	–	3 March 2025

Copies of Non Executive Director letters of appointment are available for inspection at the Company Secretary’s Office (see Shareholder Information at page 203 for details).

Annual Report on Remuneration

Implementation of the Policy for the year ending 31 December 2024

Executive Directors

<table>
<tr><th>Remuneration element</th><th>Group CEO</th><th>Group CFO</th></tr>
<tr><td>Salary</td><td>3% increase
£493,000</td><td>3% increase
£333,000</td></tr>
<tr><td>Pension and benefits</td><td>Cash in lieu of 3% of banded earnings.
Benefits in line with Policy.</td><td>Pension contribution of 3% of banded earnings.
Benefits in line with Policy.</td></tr>
<tr><td>Annual bonus opportunity</td><td>100% of salary
33% of any bonus earned, net of tax, will be used to purchase shares which must be held for two years.</td><td>100% of salary
25% of any bonus earned, net of tax, will be used to purchase shares which must be held for two years.</td></tr>
<tr><td>Annual bonus performance measures</td><td colspan="2">70% Group Underlying Operating Profit
30% strategic objectives</td></tr>
<tr><td>LTIP award level</td><td colspan="2">125% of salary
A two-year post-vesting holding period applies to vested shares.</td></tr>
<tr><td>LTIP performance measures and targets</td><td>50% adjusted EPS
50% relative TSR vs FTSE Small Cap (excluding investment trusts)</td><td><table><tr><th></th><th>Threshold</th><th>Maximum</th></tr><tr><td>EPS</td><td>26.5 pence</td><td>32.5 pence</td></tr><tr><td>TSR</td><td>Median</td><td>Upper quartile</td></tr></table></td></tr>
<tr><td rowspan="2">Shareholding guidelines</td><td>200% of salary</td><td>150% of salary</td></tr>
<tr><td colspan="2">Post-cessation Executive Directors must hold the lower of shares with a value equivalent to the in-service shareholding requirement and actual shares held on cessation for two years.</td></tr>
</table>

Non Executive Directors

The fees for the Non Executive Directors are increased by 3% effective from 1 April 2024, aligned to the increase for Executive Directors. The fees for 2024 are set out below.

Role	2024 (£)	2023 (£)
Chair of the Board	159,750	155,000
Independent Non Executive Director	52,000	50,500
Senior Independent Director	8,750	8,500
Chair of the Remuneration Committee	9,250	9,000
Chair of the Audit & Risk Committee	9,250	9,000
Designated Non Executive Director for workforce engagement	2,000	2,000

Directors' remuneration payable in 2023 – audited information

Directors' remuneration

The remuneration of the Directors for 2023 was as follows:

	Notes	Year	Basic salary or fees £	Benefits[5] £	Pension contributions[6] £	Sub total – fixed pay £	Annual bonus[7] £	Share awards[8] £	Other[9] £	Sub total – variable pay £	Grand total £
Chair											
David Barral	1	**2023**	**100,800**			**100,800**					**100,800**
		2022									0
Bill Shannon	2	**2023**	**62,992**			**62,992**					**62,992**
		2022	150,500			150,500					150,500
Executive Directors											
Helen Buck	3	**2023**	**82,301**	**4,050**		**86,351**	**0**	**33,015**	**121**	**33,136**	**119,487**
		2022	320,000	16,139		336,139	0	129,619	1,361	130,980	467,119
Adam Castleton		**2023**	**323,250**	**16,501**	**1,321**	**341,072**	**0**	**50,648**	**1,095**	**51,743**	**392,815**
		2022	313,750	16,424	1,321	331,495	0	157,781	1,474	159,255	490,750
David Stewart		**2023**	**478,750**	**16,501**	**1,161**	**496,412**	**0**	**75,065**	**531**	**75,596**	**572,008**
		2022	464,750	16,424	1,149	482,323	0	233,809	932	234,741	717,063
Non Executive Directors											
Gaby Appleton		**2023**	**59,000**			**59,000**					**59,000**
		2022	57,250			57,250					57,250
Simon Embley		**2023**	**50,500**			**50,500**					**50,500**
		2022	49,000			49,000					49,000
Darrell Evans		**2023**	**61,500**			**61,500**					**61,500**
		2022	59,750			59,750					59,750
Sonya Ghobrial		**2023**	**50,500**			**50,500**					**50,500**
	4	2022	40,509			40,509					40,509
James Mack		**2023**	**59,500**			**59,500**					**59,500**
		2022	57,750			57,750					57,750
Total		**2023**	**1,329,093**	**37,052**	**2,482**	**1,368,627**	**0**	**158,728**	**1,747**	**160,475**	**1,529,102**
		2022	1,513,259	48,987	2,469	1,564,715	0	521,209	3,767	524,976	2,089,691

Notes to Directors' remuneration table:

1. David Barral joined the Board as an independent Non Executive Director (Chair Designate) on 3 April 2023. On 25 May 2023, he was appointed Chair of the Board and Nominations Committee. David Barral left the Board on 26 February 2024.
2. Bill Shannon retired from the Board and his role as Chair of the Board and the Nominations Committee on 25 May 2023.
3. Helen Buck retired from the Board and as an Executive Director on 31 March 2023.
4. Sonya Ghobrial was appointed to the Board as an independent Non Executive Director on 4 March 2022.
5. Benefits comprise private medical cover and company car or car allowance.
6. David Stewart receives 3% of banded earnings in lieu of pension. Adam Castleton is part of the auto enrolment pension scheme and receives 3% of banded earnings as an employer contribution.
7. The Group's financial performance in 2022 and 2023 resulted in no bonuses being paid to Executive Directors.

8. The share awards for 2022 have been restated to reflect the actual level of vesting for the 2020 LTIP award of 44.1% of maximum and the share price on vesting on 13 November 2023 of 239 pence. The share awards for 2023 reflect the vesting level under the 2021 LTIP award of 22.4% of maximum. The value of these awards is based on our closing share price over the last three months of the financial year to 31 December 2023 (240.3 pence). Share award values for Helen Buck represent the pro-rated vesting level in line with good leaver treatment.
9. The 'other' column includes the value of matching shares, dividend shares and a free share award (2022) received through the SIP, at the date the shares were awarded.

Annual bonus payments 2023 – audited information

The maximum bonus potential for the Group CEO and Group CFO was 100% of salary. Helen Buck was not eligible to receive a bonus in respect of 2023 given her retirement from the Board on 31 March 2023.

The table below summarises the annual bonus performance measures and targets, and performance for 2023. As set out in the Annual Statement, taking into account overall performance during the year and the stakeholder experience, the Committee exercised discretion to reduce the bonus outcome to zero.

Measure	Weighting	Threshold (25% of max)	Maximum (100% of max)	Actual	Outcome (of element)
Group Underlying Operating Profit	70%	£26.3m	£41.9m	£9.3m	0%
Non-financial measures	30%	See table below			Group CEO: 65.5% Group CFO: 62%
Total formulaic outcome					Group CEO: 19.7% Group CFO: 18.6%

The table below sets out the Executive Directors' objectives under the non-financial measures and the outcome against each objective.

Group CEO – David Stewart

Focus area	Weighting	Objective	Performance assessment
Shareholder value	15%	Development of investor base.	9%
Execution of Estate Agency strategy	20%	Execution of strategic plan for Estate Agency.	18%
Execution of Financial Services strategy	25%	Execution of specific agreed aspects of Financial Services strategy around leadership and financial performance.	12.5%
Execution of Surveying & Valuation strategy	20%	Execution of specific agreed aspects of strategy to lay foundations for future growth.	12%
Execution of ESG	20%	Driving aspects of the Living Responsibly ESG programme across the Group, focused on embedding LSL culture and increasing colleague engagement.	14%

Group CFO – Adam Castleton

Focus area	Weighting	Objective	Performance assessment
Shareholder value	25%	Development of investor base.	15%
Organisational design, financial execution and deployment of resources	25%	Lead organisational design changes, with clearly defined roles for the Group and the Divisions. Introduction and operation of new effective cost management systems across the Group. Enhance consolidated KPI and financial reporting, to support focus on key strategic drivers to drive performance.	21%
Risk management	25%	Enhance risk control framework, for the management of key controls.	12%
ESG strategy	25%	Driving aspects of the Living Responsibly ESG programme across the Group focused on embedding LSL culture and increasing colleague engagement.	14%

2020 LTIP award vesting

As disclosed in the Annual Report and Accounts 2022, the performance period for the TSR element of the 2020 LTIP award ended on 8 November 2023, with the final vesting outcome of the 2020 awards determined at that time. The table below sets out the performance targets and final level of vesting.

Performance measure	Percentage of award subject to condition	Performance period	Threshold performance level (25% vesting)	Maximum performance level (100% vesting)	Actual performance	Percentage vesting
Adjusted basic EPS	50%	3 years ending 31 December 2022	25.6 pence	35.1 pence or more	28.4 pence	47.2%
TSR (versus FTSE Small Cap ex investment trusts)	50%	3 years ending 8 November 2023	Median (50th percentile)	Upper quartile (75th percentile)	55th percentile	41.1%
					Total	**44.1%**

The table below sets out details of the LTIP awards granted in 2020 and the number of shares vesting. A two-year post-vesting holding period applies to vested shares.

Executive Director	Date of grant	Date of vesting[2]	Number of shares under award	Vesting	Number of shares vesting	Number of shares lapsing	Total vesting[3]
Helen Buck[1]	9 November 2020	13 November 2023	122,980	44.1%	54,234	68,746	£129,619
Adam Castleton			149,700		66,017	83,683	£157,781
David Stewart			221,833		97,828	124,005	£233,809

Notes:
1. Helen Buck's LTIP award has been pro-rated to reflect cessation of employment on 31 March 2023 as a good leaver.
2. The Committee approved the vesting of this award on 13 November 2023.
3. The value of vesting has been calculated using LSL's share price on 13 November 2023 (239 pence).

2021 LTIP award vesting

The performance period for the 2021 LTIP award ended on 31 December 2023. The table below sets out the performance targets and final level of vesting for the 2021 LTIP award.

Performance measure	Percentage of award subject to condition	Performance period	Threshold performance level (25% vesting)	Maximum performance level (100% vesting)	Actual performance	Percentage vesting
Adjusted basic EPS	50%	3 years ending 31 December 2023	28.6 pence	40.5 pence or more	7.6 pence	0%
TSR (versus FTSE Small Cap ex investment trusts)	50%		Median (50th percentile)	Upper quartile (75th percentile)	57th percentile	44.7%
					Total	**22.4%**

The table below sets out details of the LTIP awards granted in 2021 and the number of shares vesting. A two-year post-vesting holding period applies to vested shares.

Executive Director	Date of grant	Date of vesting	Number of shares under award	Vesting	Number of shares vesting	Number of shares lapsing	Total vesting[2]
Helen Buck[1]	5 May 2021	5 May 2024	61,337	22.4%	13,739	47,598	£33,015
Adam Castleton			94,094	22.4%	21,077	73,017	£50,648
David Stewart			139,458	22.4%	31,238	108,220	£75,065

Notes:

1. Helen Buck's LTIP award has been pro-rated to reflect cessation of employment on 31 March 2023 as a good leaver.
2. The value of vesting has been calculated using LSL's average share price over the three months to 31 December 2023 (240.3 pence).

Share awards granted during 2023

Details of LTIP (nil cost option) awards granted in 2023 are as follows:

Executive Director	Date of grant	Date of vesting	Share price at grant date[1]	Number of shares under award	Face value of award as % of salary	Face value of award £ at grant date
Adam Castleton	7 November 2023	7 November 2026	246 pence	131,402	100%	£323,249
David Stewart				194,613	100%	£478,748

Note:

1. The share price at grant was an average of the closing price three days prior.

The LTIP awards are subject to a two-year post-vesting holding period that continues post-cessation of employment.

The performance measures applicable to the 2023 LTIP grant are as follows:

Performance measure	Percentage of award subject to condition	Performance period	Threshold performance level (25% vesting)	Maximum performance level (100% vesting)
Adjusted basic EPS	50%	3 years ending 31 December 2025	16.0 pence	24.0 pence
TSR (performance against FTSE Small Cap excluding investment trusts)	50%		Median (50th percentile)	Upper quartile (75th percentile)

External appointments

Neither of the Executive Directors holds Non Executive directorships of any other companies, other than to represent the Group's investment interests in those companies.

Payments to past Directors

No payments have been made to past Directors.

Payments for loss of office

The remuneration for Helen Buck for 2023 is included in the single figure table of remuneration. Full disclosure of Helen's remuneration arrangements on retiring from the Board were disclosed in our Annual Report and Accounts 2022.

David Barral left the Board on 26 February 2024 and will receive his fee in respect of his three month notice period.

Outstanding share awards

Options granted to Executive Directors to acquire shares are as follows:

Director	Award type	Date of grant	Share price on grant	Exercise price	As at 1 January 2023	Awards granted during year	Awards lapsed during year	Awards exercised during year	As at 31 December 2023	Exercise period
Helen Buck Executive Director Estate Agency	LTIP	9 November 2020	210.50p	Nil	152,665	–	98,431	54,234	0	13 November 2023 to 13 May 2024
	LTIP	5 May 2021	408.50p	Nil	96,006	–	34,669	–	61,337	5 May 2024 to 5 November 2024
	SAYE	28 May 2021	468.00p	327.00p	2,388	–	2,388	–	0	31 March 2023 to 30 September 2023
	LTIP	29 March 2022	369.00p	Nil	108,401	–	72,267	–	36,134	29 March 2025 to 29 September 2025
Adam Castleton Group Chief Financial Officer	LTIP	9 November 2020	210.50p	Nil	149,700	–	83,683	66,017	0	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	–	0	1 July 2024 to 31 December 2024
	LTIP	29 March 2022	369.00p	Nil	106,283	–	–	–	106,283	29 March 2025 to 28 March 2032
	LTIP	7 November 2023	246.00p	Nil	–	131,402	–	–	131,402	7 November 2026 to 6 November 2033
	SAYE	10 November 2023	248.00p	199.00p	–	9,321	–	–	9,321	1 December 2026 to 31 May 2026
David Stewart Group Chief Executive Officer	LTIP	9 November 2020	210.50p	Nil	221,833	–	124,005	97,828	0	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	157,435	–	–	–	157,435	29 March 2025 to 28 March 2032
	LTIP	7 November 2023	246.00p	Nil	–	194,613	–	–	194,613	7 November 2026 to 6 November 2033
	SAYE	10 November 2023	248.00p	199.00p	–	3,728	–	–	3,728	1 December 2026 to 31 May 2026

Notes to outstanding share awards:

1. All of the above are scheme interests. Details of LTIP awards granted in 2023 are set out in this section of the Report, while details of previous outstanding awards are presented in the previous year's Directors' Remuneration Report and are included in note 15 to the Financial Statements.
2. Following Helen Buck's retirement in March 2023, because she had good leaver status she had six months within which to exercise her Sharesave 2021 and therefore the expiry of the exercise period for the plan was in September 2023.
3. Adam Castleton terminated his Sharesave 2021 saving contract to enable him to contribute in the 2023 scheme as per the saving limits.
4. The aggregate gains made by Helen Buck, Adam Castleton and David Stewart on the exercise of awards during the year was £129,981, £140,800 and £208,647 respectively.

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.

The Executive Directors’ shareholdings reflect the limited vesting of LTIP awards and the impact of challenging market conditions on the amount absent from the bonus in recent years. The Directors’ Remuneration Policy outlines executive share ownership guidelines which require the Group CEO and Group CFO to purchase and hold shares equivalent to 33% and 25% respectively of any bonus earned, net of tax for a period of two years. The Group CEO has committed to invest all of his bonus, net of tax for full year 2024 into shares.

The Committee is comfortable that the Executive Directors continue to build their shareholdings, with further increases as a result of the vesting of the 2021 LTIP award, and will keep shareholding levels under review. The Policy supports the continued building of shareholdings through the requirement to purchase shares with a proportion of bonus and through the retention of all vested LTIP awards.

	Shareholdings (number of shares)		Share awards (number of shares)		Total (number of shares)	Shareholding guideline	Executive Director shareholding[2]
Director	31 December 2023	31 December 2022	Unvested and subject to performance targets	Vested but unexercised 31 December 2023	31 December 2023	(% of basic salary)	(% of basic salary)
David Barral[3] Chair of the LSL Board	219,259	–	–	–	219,259	–	N/A
Bill Shannon[4] Chair of the LSL Board	25,329	25,329	–	–	25,329	–	N/A
Helen Buck[5] Executive Director – Estate Agency	133,601	104,213	97,471	–	133,601	150%	N/A
Adam Castleton Group Chief Financial Officer	130,111	94,086	341,100	–	130,111	150%	103.8%
David Stewart Group Chief Executive Officer	78,329	25,714	498,536	–	78,329	200%	42.2%
Gaby Appleton Non Executive Director	–	–	–	–	–	–	N/A
Simon Embley Non Executive Director	6,835,624	6,835,624	–	–	6,835,624	–	N/A
Darrell Evans[6] Non Executive Director	–	–	–	–	–	–	N/A
Sonya Ghobrial Non Executive Director	–	–	–	–	–	–	N/A
James Mack Non Executive Director	–	–	–	–	–	–	N/A

Notes on Directors’ interest in shares:
1. The shareholdings include matching shares, dividend shares and free share awards received under the SIP subject to a retention period. The total shares received by Helen Buck, Adam Castleton and David Stewart is 1,277, 1,872 and 563 respectively.
2. The shareholdings are calculated based on shares owned and vested but unexercised awards, net of tax, as at 31 December 2023. Shareholding guideline calculations are based on the share price at year end of 258 pence and the Executive Director’s basic salary at 31 December 2023. The unvested share awards have been pro-rated for Helen Buck to reflect her unvested share awards as at the date stepping down.
3. David Barral joined the Board as an independent Non Executive Director (Chair Designate) on 3 April 2023 and left the Board on 26 February 2024.
4. Bill Shannon retired from the Board on 25 May 2023 and therefore his share interests represent the position at this date.
5. Helen Buck retired from the Board on 31 March 2023, her share interests as of this date were 104,417 shares.
6. Darrell Evans assumed the role of Interim Non Executive Chair on 5 March 2024.

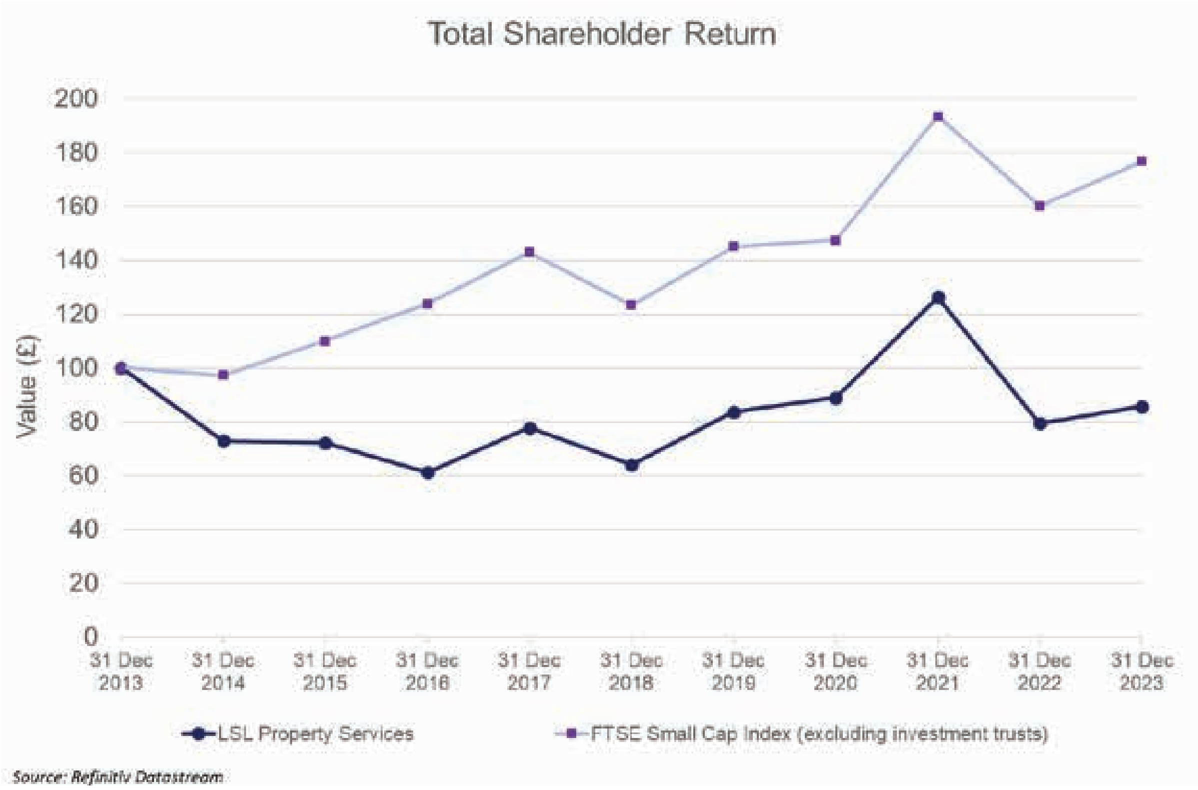
All of the share interests detailed above are beneficial to the Directors. Apart from the interests disclosed above, no Directors held interests at any time in the year in the share capital of any other Group company.

There have been no changes in the interests of any Director between 31 December 2023 and the date of this Report, other than the purchases of shares by Adam Castleton (279 shares) and David Stewart (280 shares) as participants of LSL’s SIP/BAYE scheme (in January, February, March and April 2024). These shares were purchased by the Trust at the prevailing market rate.

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.

Performance graph and table

The following graph shows the value, up to 31 December 2023, of £100 invested in LSL compared with the value of £100 invested in the FTSE Small Cap (excluding investment trusts) Index on 31 December 2013. The FTSE Small Cap Index has been chosen because LSL is a constituent of the 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.

	Ian Crabb to 30 April 2020							David Stewart from 1 May 2020			
	2014	2015	2016	2017	2018	2019	2020	2020	2021	2022	2023
Total remuneration	£571,500	£852,869	£499,000	£835,120	£774,629	£760,679	£161,214	£310,932	£859,207	£717,063	£571,685
Annual bonus	54%	93.30%	16%	97%	79.80%	61.70%	0%	0%	84.70%	0%	0%
LTIP vesting	N/A	66.81%	0%	0%	0%	0%	N/A	N/A	N/A	44.1%	22.4%

Percentage change in Directors' remuneration

The table below shows the annual percentage change in salary/fees, benefits and bonus for each of the Directors in 2023, compared to the average for our wider workforce over the last five financial years.

	2023 vs 2022			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)	% Change in salary/fees	% change in taxable benefits (excluding pension)	% change in bonus (includes commission)
Chairman												
Bill Shannon[1]	N/A	N/A	N/A	21.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
David Barral[2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Executive Directors												
Helen Buck[3]	N/A	N/A	N/A	2.0	0.7	-100.0	1.5	-0.6	N/A	0	-1.2	-100.0
Adam Castleton	3.0	0.5	N/A	2.0	0.8	-100.0	1.5	-0.8	N/A	0	-1.7	-100.0
David Stewart	3.0	0.5	N/A	2.0	0.8	-100.0	N/A	N/A	N/A	N/A	N/A	N/A
Non Executive Directors												
Gaby Appleton	3.1	N/A	N/A	13.6	N/A	N/A	14.5	N/A	N/A	N/A	N/A	N/A
Simon Embley	3.1	N/A	N/A	-36.5	N/A	N/A	N/A	N/A	N/A	-13.2	N/A	N/A
Darrell Evans	2.9	N/A	N/A	11.3	N/A	N/A	16.7	N/A	N/A	N/A	N/A	N/A
Sonya Ghobrial[4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
James Mack	3.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
All employees												
Median of LSL workforce[5]	55	447	-92	5.0	186.2	19.0	1.9	-71.8	-7.0	2.1	67.8	5.2

Notes on percentage change in Directors' remuneration for the period 2023 vs 2022:
1. Bill Shannon retired from the Board on 25 May 2023 and therefore a change from the prior year has not been provided.
2. David Barral joined the Board as an independent Non Executive Director (Chair Designate) on 3 April 2023 and was appointed Non Executive Chair of the Board on 25 May 2023 and therefore a change from the prior year has not been provided. David Barral left the Board on 26 February 2024.
3. Helen Buck retired from the Board and as an Executive Director on 31 March 2023 and therefore a change from the prior year has not been provided.
4. Sonya Ghobrial was appointed to the Board during 2022 and therefore a change from the prior year has not been provided.
5. 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. This excludes employees who joined the business during December but received their first pay in January 2024. The high percentage change for employee salary, benefits and bonus is due to a reduction in the workforce, as a result of our Estate Agency Division moving to a franchise mode, disposal of B2C Financial Services businesses and disposal of Marsh & Parsons.
6. For notes of changes in previous years, please refer to previous Annual Reports and Accounts.

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	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2018	Option A	40.5 : 1	27.9 : 1	16.2 : 1
2019	Option A	38.1 : 1	26.1 : 1	14.9 : 1
2020	Option A	23.4 : 1	15.8 : 1	9.1 : 1
2021	Option A	40.3 : 1	26.5 : 1	15.4 : 1
2022	Option A	29.3 : 1	20.0 : 1	11.6 : 1
2023	Option A	22.5 : 1	13.4 : 1	9.1 : 1

The 2023 employee data used to calculate the ratios is set out in the table below:

	25th percentile	Median	75th percentile
Total pay and benefits of employees	£25,389	£42,687	£62,984
Basic salary of employees	£22,877	£37,200	£51,978

Overview

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Directors' Report (including Corporate Governance Reports and Committee Reports)

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Notes on 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 and Trade, 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 2023. 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. The full-time equivalent data for each employee was grossed up based on the full-time equivalent hours for each role.

In calculating the bonus and commission elements for employees, we have used the bonus and commission paid to employees during 2023. 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. However, we consider that this approach provides a broadly similar outcome to the result if 2023 year end bonuses had been included.

The Committee notes the decrease in the ratio from 2022 as a result of higher base salary increases for the workforce compared with the Group CEO, no bonus being payable to the Group CEO in respect of 2023 and a reduction in the workforce as a result of our Estate Agency Division moving to a franchise model, disposal of B2C Financial Services businesses and disposal of Marsh & Parsons.

As at 31 December 2023, we employed over 1,727 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 110 of this Report. The Committee also has responsibility for setting the remuneration of the Executive Committee and reviews and monitors the Group's wider remuneration policies and practices. On this basis, the Committee is satisfied the median pay ratio is consistent with the pay, reward and progression polices of the companies UK-based employees.

Relative importance of spend on pay

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

	2023 (£m)	2022 (£m)[3]	Change (%)
Staff costs[1]	99.1	145.3	-32%
Dividends	11.7	11.7	–
Profit after tax[2]	8.0	(26.8)	130%
Adjusted profit after tax[3]	7.8	28.3	-72%

Notes:

1. See note 15 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 12 to the Financial Statements for the calculation.
3. 2022 staff costs and profit after tax have updated as they have been restated.

Statement of shareholders' voting

The Annual Statement and Report on Remuneration for 2022 and the Policy (all included in the Annual Report and Accounts 2022) were presented to shareholders at the 2023 AGM on 25 May 2023. The voting outcomes were as follows:

	Annual Statement and Annual Report on Remuneration	Directors' Remuneration Policy
Votes cast in favour	99.99%	99.99%
Votes cast against	0.01%	0.01%
Total votes withheld	1,286	1,286

Remuneration Committee

Role and membership

Details of the Committee's composition and responsibilities are set out in the Corporate Governance Report on page 68 of this Report. During 2023, the Committee was chaired by Darrell Evans and its other members were Bill Shannon, David Barral, Gaby Appleton, James Mack and Sonya Ghobrial. David Barral joined the Committee on 3 April 2023 and Bill Shannon retired from the Committee at the close of the 2023 AGM. Following a review of the Committee's composition in the year, James Mack and Sonya Ghobrial stepped down from the Committee in November 2023. Following the Board changes on 26 February 2024, further changes were made to the Committee and at the date of this Report, the Committee is: Gaby Appleton (Chair); Darrell Evans; and Sonya Ghobrial.

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

The work of the Remuneration Committee

The Remuneration Committee met three times in 2023.

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

Annual reporting

a. Recommended the Directors’ Remuneration Report for inclusion in the Annual Report and Accounts 2022, including completing an annual review of the Executive Directors’ shareholdings.

b. Recommended the Directors’ Remuneration Policy for presentation to the 2023 AGM for shareholder approval.

Executive and colleague remuneration:

c. Received market updates and remuneration reports from Korn Ferry, including a presentation on the use and operation of long-term incentive schemes.

d. Reviewed arrangements for the 2020 LTIP vesting and approving the quality of earnings assessment.

e. Reviewed and approved the grant of the 2023 LTIP awards.

f. Reviewed the Financial Services Network’s remuneration arrangements, including a presentation from the Financial Services managing director on commission arrangements.

g. Conducted the 2023 colleague pay review.

h. Oversaw the bonus scheme designs, including approving Executive Director non-financial measures, and reviewed bonus payments.

i. Received information on and approved, where relevant, ad hoc promotions and appointments throughout the year.

Governance

j. Completed an annual review of the Committee’s terms of reference, for recommendation to the Board.

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. Korn Ferry does not provide any other services to the Group.

The Committee appointed Korn Ferry in 2017. Korn Ferry’s fees for 2023, which are primarily based on an hourly rate, were £65,000 (excluding VAT) (2022: £29,391).

Korn Ferry is a signatory to the Remuneration Consultants’ Code of Conduct and has confirmed that it adheres in all respects to the terms of this code. The Committee is comfortable that its advice continues to be independent and objective.

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

Gaby Appleton

Chair of the Remuneration Committee

24 April 2024

Financial Statements

In this section

Independent Auditor’s Report

for the year ended 31 December 2023

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 2023 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 2023 which comprise:

Group	Parent company
Group Income Statement for the year ended 31 December 2023	Parent Company Balance Sheet as at 31 December 2023
Group Statement of Comprehensive Income for the year ended 31 December 2023	Parent Company Statement of Cash Flows for the year ended 31 December 2023
Group Balance Sheet as at 31 December 2023	Parent Company Statement of Changes in Equity for the year ended 31 December 2023
Group Statement of Cash Flows for the year ended 31 December 2023	Related notes 1 to 22 to the financial statements including material accounting policy information
Group Statement of Changes in Equity for the year ended 31 December 2023	
Related notes 1 to 37 to the financial statements, including material accounting policy information	

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 the directors' going concern assessment

- We evaluated the directors' going concern assessment process to determine whether it was appropriate in the context of our own risk assessment on going concern;
- We assessed the appropriateness of the duration of the going concern assessment period to 30 June 2025 and considered the existence of any significant events or conditions beyond this period based on our procedures over the group's cash flow forecasts and from knowledge arising from other areas of the audit;
- We understood the basis on which the directors' going concern assessment was prepared, which included understanding the terms of the group's undrawn revolving credit facility; the nature of the facility, facility amount, repayment terms, covenants and attached conditions. We verified via an independent confirmation that the facility is committed for the entire going concern period and understood the conditions (including financial conditions) that must exist in order for the facility to be drawn down upon;
- We verified the mathematical accuracy of the directors' going concern model and covenant calculations for the period to 30 June 2025;
- We challenged the appropriateness of the key assumptions in the directors' forecasts with reference to industry and economic forecasts and through consideration of historical forecasting accuracy;
- We assessed the plausibility of both the directors' downside scenario analysis and reverse stress testing by considering key market and macro-economic forecast data across multiple sources and searching for contradictory evidence in relation to the appropriateness of key assumptions. Further we considered whether there could be any material impact of climate change in the going concern period;
- We performed our independent assessment with consideration to the various changes in group structure which have taken place during and subsequent to the year ended 31 December 2023, including the post year end acquisition of TenetLime described in note 34. This included independent reverse stress testing in order to identify and understand the likelihood of factors which would lead to the group utilising all available liquidity or breaching the financial covenants attached to the group's revolving credit facility during the going concern period;
- We considered the quantum and timing of mitigating factors available to the directors, the extent to which these are included in the directors' forecasts and challenged the extent to which these are within the directors' control; 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 the directors' downside scenario analysis, which assumes a continuation of 2023 activity levels throughout the assessment period, liquidity remains and there is no breach of covenant;
- We have not identified any climate related risks that would materially impact the group's forecasts to 30 June 2025; and
- 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 June 2025.

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

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

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 8 components and audit procedures on specific balances for a further 8 components. • The components where we performed full or specific audit procedures accounted for 96% of revenue from continuing operations (the basis upon which we have determine group materiality) 97% of absolute profit before tax and 93% of total assets.
Key audit matters	• Risk of inappropriate recognition of revenue around the year end (including valuation of the commission refund liability) • Risk of inappropriate accounting applied to the transition of Estate Agency to a Franchise business
Materiality	• Overall group materiality of £0.7m which represents 0.5% of revenue from continuing operations.

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

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment (including the impact of the transition of Estate Agency to a Franchise business), 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 component.

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 16 components covering entities within the UK and Guernsey, which represent the principal business units within the group.

Of the 16 components selected, we performed an audit of the complete financial information of 8 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 8 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The coverage achieved through full, specific and other procedures is illustrated below and calculated on an absolute basis. In 2023, we report coverage over revenue from continuing operations and profit before tax (2022: total revenue and adjusted profit before tax). This reflects a change in our materiality basis.

The following table summarises the coverage obtained from the work performed by our audit teams.

	2023			2022		
Scope	Revenue from continuing operations	Absolute profit before tax	Total Assets	Revenue	Absolute adjusted profit before tax	Total Assets
Full	84%	88%	88%	85%	85%	95%
Specific	12%	9%	5%	10%	11%	3%
Other procedures	4%	3%	7%	5%	4%	2%

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 14 components (the components other than those assigned a full or specific scope) that together represent 4% of the group's revenue from continuing operations, none are individually greater than 3% of the group's revenue from continuing operations. For these components, we performed other procedures, including external bank confirmation, 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. Within the 7% of the group's total assets audited through other procedures, external bank confirmations covered 5% of the group's total assets. The remaining 2% of the group's total assets were covered through other procedures as described above.

Changes from the prior year

The changes in our current year scoping, when compared to our prior year scoping, are driven by the disposals of Marsh & Parsons and the four direct-to-consumer financial service advice businesses in addition to the transition of Estate Agency to a Franchise business which together changed the composition of the group and the relative contribution of each component.

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 8 full scope components, audit procedures were performed on 5 of these directly by the primary audit team and 3 by the component audit team. Of the 8 specific scope components audit procedures were performed on 3 of these directly by the primary audit team and 5 by the component audit team. For the 3 full scope and 5 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 team, 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 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 34 to 49 in the required Task Force On Climate Related Financial Disclosures and on pages 29 to 33 in the principal risks and uncertainties. They have also explained their climate commitments on pages 34 to 49. 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 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 to the group financial statements its articulation of how climate change has been reflected in the 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. There are no significant judgements or estimates relating to climate change in the notes to the financial statements due to the group’s assessment that there is no significant financial impact from climate change on the group given the nature of its operations.

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, 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
Risk of inappropriate recognition of revenue around the year end (including valuation of the commission refund liability) *Refer to the Audit & Risk Committee Report (page 85); Accounting policies (page 128); and Note 3 of the group financial statements (page 138)* The group has reported revenue from continuing operations of £144.4m (2022: total revenue of £321.7m). The group has recognised a commission refund liability of £2.9m (2022: £5.2m). The risk was one of the most significant assessed risks of material misstatement due to the potential for bias or error in the timing of transactions. There is also judgement in the value of commission income that will be clawed back. We identified the following specific risk of fraud and error in respect of improper revenue recognition and management override given the nature of the group's services: • Inappropriate cut-off of revenue at the period end in addition to the date of transition to the franchise business model for relevant Estate Agency components; and • Inappropriate measurement of the reduction to revenue recorded for expected clawback of commissions on lapsed insurance policies. The risk has increased in the current year due to the challenging market conditions being experienced by the group.	At each full and specific scope audit component with material revenue streams: • We performed walkthroughs of each significant stream of revenue and confirmed the existence of key controls around the recognition of revenue and measurement of the commission refund liability; • We performed cut-off testing for a period before and after the year end for those components which remained part of the group as at the year end date and for a period before and after the date of transition to the franchise business model for relevant Estate Agency components. These procedures have been performed with reference to underlying contracts and evidence of management's assessment of the point of revenue recognition. This included assessment of the appropriateness of the cut-off model applied by management in the Financial Services division; • We performed transactional testing through to underlying contracts and data analysis procedures to assess the recognition of revenue around the year end or date of transition to the franchise business model, as relevant to the respective component. Where items did not follow the expected transaction flow, we investigated outliers and corroborated to third party evidence where appropriate. • We performed targeted journal entry testing with a focus on entries posted to revenue accounts. For the commission refund liability: • We tested the underlying calculations for arithmetical accuracy and consistency across the group. • We verified the appropriateness of the insurance policy lapse rate applied in the commission refund liability model and where relevant, tested a sample of historical lapses to third party evidence. • We performed full and specific scope audit procedures over this risk area in the 14 in-scope locations which have revenue. This covered 96% of the group's revenue from continuing operations.	We have not identified any material misstatements in the revenue recognised in the year.

Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
	• We also performed other procedures in the locations which covered the remaining 4% of the group's revenue. This consisted of analytical procedures over material movements in revenue and related balance sheet accounts as compared to the prior year.	
Risk of inappropriate accounting applied to the transition of Estate Agency to a Franchise business *Refer to the Audit & Risk Committee Report (page 85); Accounting policies (page 128); and Note 6 of the Consolidated Financial Statements (page 142)* In 2023, the group has transitioned its owner-managed Estate Agency business to a Franchise business model which included the sale of the trade and assets or statutory entities, as applicable, as well as the signing of franchise agreements. The accounting applied to this transition is complex and includes significant estimation and judgement. As a result, there is a significant risk of inappropriate accounting applied to the transition of the Estate Agency business to a Franchise business. The most significant judgements and estimates related to the presentation of the previously owned network of estate agency branches as a discontinued operation and the identification and measurement of the fair value of non-cash proceeds arising from the transaction.	We challenged key judgements, estimates and assumptions applied by management in accounting for the transition. Specifically, we: • Performed walkthrough procedures to verify our understanding of the accounting processes performed by management in relation to the transition, and confirmed the existence of key controls over valuation and presentation and disclosure; • Obtained the underlying transaction agreements and compared the key terms to the accounting treatment applied; • Challenged the judgement applied by management in presenting the disposal of the owned network of estate agency branches as a discontinued operation, by considering the requirements of IFRS 5 and assessing the characteristics and structure of the business disposed compared to the operations retained by the group; • Challenged management on the fair value calculation of the non-cash proceeds arising from the transaction through engaging EY valuation specialists to determine an independent range of acceptable outcomes on the discount rate applied and by assessing the reasonableness of growth rates applied to the forecasts with reference to market data; • Challenged management on the completeness of the assets disposed as part of the transaction; • Recalculated management's calculations to determine arithmetical accuracy; and • Reviewed the disclosures made by management in respect of the transaction, including compliance with relevant accounting standards.	Based on the audit procedures performed, we consider management's accounting applied to the transition of Estate Agency to a Franchise business to be appropriate. We have concluded that the key judgements, estimates and assumptions applied by management, and the disclosures thereof, are reasonable and compliant with relevant accounting standards.

In the prior year, our auditor's report included a key audit matter in relation to the risk of inappropriate valuation of goodwill in relation to Your Move / Reeds Rains and LSLi. In the current year this no longer represents a key audit matter, following the disposal of the goodwill associated with these businesses as part of the transition of Estate Agency to a Franchise business, which itself represents a key audit matter, as described above.

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 £0.7 million (2022: £1.4 million), which is 0.5% of group revenue from continuing operations (2022: 5% of adjusted profit before tax). We believe that group revenue from continuing operations is a key focus for the users of the financial statements and is used prominently in communications to investors and in recent annual reports. The change in the basis upon which we determine materiality from adjusted profit before tax used in the prior year to revenue from continuing operations in the current year, is driven by the current year performance of the business and the transition of Estate Agency to a Franchise business part way through the year, which together would mean the use of current year adjusted profit before tax as our basis would not result in an appropriate materiality figure for the size of the business.

We determined materiality for the parent company to be £0.8 million (2022: £1.0 million), which is 1% (2022: 1%) of equity. For our testing of parent company balances that are consolidated into the group financial statements, an allocation of group performance materiality was used.

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% (2022: 50%) of our planning materiality, namely £0.3m (2022: £0.7m). We have set performance materiality at this percentage reflecting our prior 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 £0.2m (2022: £0.1m to £0.5m).

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 £0.03m (2022: £0.07m), 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 01 to 112, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

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

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

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

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

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

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 61;
- 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 32;
- 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 61;
- Directors' statement on fair, balanced and understandable set out on page 64;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 64;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 88; and;
- The section describing the work of the Audit & Risk Committee set out on page 85

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 64, 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 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, also, where necessary, reports provided to other Committees of the Board, 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 inancial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit & Risk Committee, we were appointed by the company on 7 July 2004 to audit the financial statements for the year ending 31 December 2004 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 20 years, covering the years ending 31 December 2004 to 31 December 2023. 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

25 April 2024

Group Income Statement

for the year ended 31 December 2023

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

**See note 36 for details regarding restatements.*

The notes on pages 128 to 180 form part of these Financial Statements.

Group Statement of Comprehensive Income

for the year ended 31 December 2023

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

**See note 36 for details regarding restatements.*

The notes on pages 128 to 180 form part of these Financial Statements.

Group Balance Sheet

as at 31 December 2023

Company No. 05114014

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

**See note 36 for details regarding restatements.*

The notes on pages 128 to 180 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
24 April 2024

Adam Castleton
Group Chief Financial Officer
24 April 2024

Group Statement of Cash Flows

for the year ended 31 December 2023

	Note	2023 £'000	Restated* 2022 £'000
Profit/(loss) before tax from continuing operations		4,863	(23,771)
Loss before tax from discontinued operations		(45,425)	(34,674)
Loss before tax		(40,562)	(58,445)
Adjustments for:			
Exceptional costs		57,650	87,255
Exceptional gains		(9,320)	(694)
Contingent consideration payable		31	(696)
Depreciation of tangible assets	18	4,512	11,629
Amortisation of intangible assets	17	2,660	4,020
Share-based payments	6,15	(109)	1,977
Loss on disposal of property, plant and equipment and right-of-use assets	6	(2)	(8)
Loss from joint venture	20	390	494
Recognition of investments at fair value through the income statement	19	279	(678)
Decrease in contract assets	21	410	378
Finance income	7	(2,817)	(80)
Finance costs	6,8	1,811	2,497
Operating cash flows before movements in working capital		14,933	47,649
Movements in working capital			
Decrease/(increase) in trade and other receivables		909	(1,491)
Decrease in trade and other payables		(13,130)	(12,198)
Increase/(decrease) in provisions		1,203	(799)
		(11,018)	(14,488)
Cash generated from operations		3,915	33,161
Interest paid (leases)	27	(580)	(1,387)
Interest received (leases)	27	140	–
Income taxes paid		–	(6,109)
Exceptional costs paid		(10,391)	(384)
Net cash (expended)/generated from operating activities		(6,916)	25,281
Cash flows used in investing activities			
Interest received		1,599	–
Disposal of businesses, net of cash disposed		26,538	–
Payment of contingent consideration	25	(2,280)	(76)
Investment in joint venture	20	(4,681)	(3,952)
Proceeds from sale of financial assets	19	206	–
Franchisees and appointed representatives loans granted	19	(2,914)	–
Franchisees and appointed representatives loan repayments	19	1,275	–
Receipt of lease income	27	1,134	68
Purchase of property, plant and equipment and intangible assets	17,18	(2,856)	(3,853)
Proceeds from sale of property, plant and equipment	18	–	1,304
Net cash generated/(expended) on investing activities		18,021	(6,509)
Cash flows used in financing activities			
Purchase of LSL shares by the employee benefit trust		–	(5,026)
Repurchase of treasury shares		–	(3,983)
Proceeds from exercise of share options	15	–	825
Payment of lease liabilities	14	(4,529)	(7,170)
Dividends paid	13	(11,714)	(11,773)
Net cash expended in financing activities		(16,243)	(27,127)
Net decrease in cash and cash equivalents		(5,138)	(8,355)
Cash and cash equivalents at the beginning of the year	23	40,109	48,464
Cash and cash equivalents at the end of the year	23	34,971	40,109

**See note 36 for details regarding restatements.*

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

The notes on pages 128 to 180 form part of these Financial Statements.

Group Statement of Changes in Equity

for the year ended 31 December 2023

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

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

The notes on pages 128 to 180 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 and SIP £'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
Prior year restatements (net of tax)*	–	–	–	–	–	–	(5,716)	(5,716)	–	(5,716)
At 1 January 2022 (Restated)	210	5,629	5,263	(3,063)	–	(15,273)	219,116	211,882	521	212,403
Loss for the year (Restated)	–	–	–	–	–	–	(63,209)	(63,209)	(93)	(63,302)
Revaluation of financial assets	–	–	–	–	–	(5,096)	–	(5,096)	–	(5,096)
Tax on revaluations	–	–	–	–	–	130	–	130	–	130
Total comprehensive loss for the year	–	–	–	–	–	(4,966)	(63,209)	(68,175)	(93)	(68,268)
Shares repurchased into treasury	–	–	–	–	(3,983)	–	–	(3,983)	–	(3,983)
Shares repurchased into EBT	–	–	–	(5,026)	–	–	–	(5,026)	–	(5,026)
Exercise of options	–	–	(1,806)	2,632	–	–	(1)	825	–	825
Dividend paid	–	–	–	–	–	–	(11,773)	(11,773)	–	(11,773)
Share-based payments	–	–	1,977	–	–	–	–	1,977	–	1,977
Tax on share-based payments	–	–	(103)	–	–	–	–	(103)	–	(103)
At 31 December 2022	210	5,629	5,331	(5,457)	(3,983)	(20,239)	144,133	125,624	428	126,052

**See note 36 for details regarding restatements.*

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

The notes on pages 128 to 180 form part of these Financial Statements.

Notes to the Group Financial Statements

for the year ended 31 December 2023

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 2023 were authorised for issue by the Board of Directors on 24 April 2024 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 Franchising 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 2023. The policies have been applied consistently to all years presented. The Group's Financial Statements are presented in pound sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

These Financial Statements have been prepared in accordance with UK-adopted IAS. The Group Financial Statements have been prepared on a going concern basis under the historical cost convention and on a historical cost basis, except for certain debt and equity financial assets that have been measured at fair value.

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

2.2 Basis of consolidation

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

Subsidiaries

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

Interest in joint ventures

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

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

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

2.3 Going concern

The 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 14) 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 14). Details of the Group's borrowing facilities are set out in note 32. The Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk are also 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 29.

2. Accounting policies, judgements and estimates (continued)

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

The Group expects to continue to meet its day-to-day working capital requirements through cash flows generated by its trading activities and available net cash resources (31 December 2023: £35.0m). The Group's banking facility, a £60.0m committed revolving credit facility (RCF) has a maturity date of May 2026, having been amended and restated in February 2023. As shown in note 25, the Group have not currently utilised the facility leaving £60.0m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The facility agreement contains financial covenants, including a minimum net debt to EBITDA ratio. At the balance sheet date, the Group could have drawn a maximum of c£33.0m from the facility and remain compliant with covenants. However, under the base case and downside scenarios the full facility would not be available within the going concern period.

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

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

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 Opportunities 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 lending and housing markets, close to levels seen during the financial crisis in 2008, would affect the Group's base forecasts.

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

2.4 Revenue recognition

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

Financial Services

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

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

Estate Agency

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

2. Accounting policies, judgements and estimates (continued)

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

Residential services:

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

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

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

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

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

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

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

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

2.5 Segment reporting
An operating segment is a distinguishable segment of an entity that engages in business activities from which it may earn revenues and incur expenses and whose operating results are reviewed regularly by the Board. The Board reviews the Group's operations and financial position as Financial Services, Surveying & Valuation and Estate Agency Franchising, and therefore considers that it has three operating segments. During the year, the Group made the strategic decision to convert the entire owned estate agency branch network into franchises, in doing so the Estate Agency Franchising operating segment became mainly a provider of franchise services.

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

The information presented to the Directors directly reflects the Group Underlying Operating Profit as defined in the alternate performance measures (APM) in note 5 to these Financial Statements and they review the performance of the Group by reference to the results of the operating segments against budget.

2. Accounting policies, judgements and estimates (continued)

2.6 Alternative Performance Measures (APMs)

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

2.7 Discontinued operations

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

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

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

2.8 Exceptional items

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

Due to the nature and expected infrequency of these items, separate presentation helps provide a better indication of the Group's underlying business performance. This allows shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

2.9 Income taxes

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

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

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects either accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

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

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

2. Accounting policies, judgements and estimates (continued)

2.10 Share-based payment transactions

The equity share option programme allows Group employees to acquire LSL shares. The fair value of the options granted is recognised as an employee expense with a corresponding increase in equity in the case of equity-settled schemes. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of employee share option plans, which are all equity-settled, is calculated at the grant date using the Black Scholes model. The resulting cost is charged to the Group Income Statement over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-market vested condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 12 to these Financial Statements).

2.11 Business combinations and goodwill

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

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

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

2.12 Intangible assets

Intangible assets such as brand names, lettings contracts, franchise agreements, customer relationships and in-house software are measured at cost less accumulated amortisation and impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the profit or loss in the period in which the expenditure is incurred.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

The useful lives of intangible assets are assessed as either finite or indefinite.

Brand names are not amortised as the Directors are of the opinion that they each have an indefinite useful life based on the expectation that there is no foreseeable limit to the period over which each of the assets are expected to generate net cash inflows to the businesses. The Directors are confident that trademark registration renewals will be filed at the appropriate time and sufficient investment will be made in terms of marketing and communication to maintain the value inherent in the brands, without incurring significant cost. All brands recognised have been in existence for a number of years and are not considered to be at risk of obsolescence from technical, technological nor commercial change. Whilst operating in competitive markets they have demonstrated that they can continue to operate in the face of such competition and that there is expected to remain an underlying market demand for the services offered. The lives of these brands are not dependent on the useful lives of other assets of the entity.

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

2. Accounting policies, judgements and estimates (continued)

All other intangible assets are amortised on a straight-line basis over their useful economic lives of 12 months for order books, two years for customer contacts, five years for lettings contracts and between three and five years for in-house software.

2.13 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment is depreciated on a straight-line basis to its residual value over its anticipated useful economic life:

Office equipment, fixtures and fittings	– over three to seven years
Computer equipment	– over three to four years
Motor vehicles	– over three to four years
Leasehold improvements	– over the shorter of the lease term or ten years
Freehold and long leasehold property	– over fifty years or the lease term whichever is shorter

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised. These assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

2.14 Financial instruments

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

The Group's accounting policy for each category of financial instruments is as follows:

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IFRS 9 Financial Instruments and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets designated at fair value through the income statement

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

Cash and cash equivalents

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

Trade receivables

Trade receivables do not carry any interest and are stated at their original invoiced value as reduced by appropriate allowances for estimated irrecoverable amounts. The expected credit loss model under IFRS 9 is applied to trade and other receivables. The chosen method of recognising the expected credit loss across the Group is the simplified approach allowing a provision matrix to be used, which is based on the expected life of trade receivables and historic default rates, default being defined as when impaired debts are assessed as uncollectable. The carrying amount of the receivables is reduced through use of an allowance account and impaired debts are derecognised when they are assessed as uncollectable.

Trade payables

Trade payables are stated on the balance sheet at their original invoice value.

2. Accounting policies, judgements and estimates (continued)

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs. Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and are recognised on an accruals basis. Borrowing costs are recognised as an expense when incurred.

2.15 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell (FVLCTS) and value-in-use (VIU). Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing an asset's VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

2.16 Loans to franchisees and appointed representatives

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

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

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

2.17 Gain or loss on disposal to a joint venture

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

2.18 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2. Accounting policies, judgements and estimates (continued)

2.19 Leases

Leases are defined as a contract which gives the right to use an asset for a period of time in exchange for consideration. As a lessee, the Group recognises three classes of leases on this basis:

- Property leases
- Motor vehicle leases
- Other leases

Property leases and motor vehicle leases have been recognised on the Group Balance Sheet, in financial liabilities, by recognising the future cash flows of the lease obligation, discounted using the incremental borrowing rate of the Group, adjusted for factors such as swap rates available and the credit risk of the entity entering into the lease.

Corresponding right-of-use assets have been recognised on the Group Balance Sheet under property, plant and equipment and have been measured as being equal to the discounted lease liability plus any lease payments made at or before the inception of the lease and initial direct costs, less any lease incentives received. Cash flows from these leases have been recognised by including the principal portion of the lease payments in cash flows from financing activities and the interest portion of the lease payment recognised through operating activities.

Other leases are leases for low value items or leases whose contract term is less than 12 months. The practical expedient not to recognise right-of-use assets and lease liabilities for these leases has been utilised by the Group. A charge for these leases has been recognised through the income statement as an operating expense. The cash flows relating to low value and short-term leases have been recognised in net cash flows from operating activities.

No leases where the Group is a lessee, or a lessor contain variable lease payments.

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

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

2.20 Assets and liabilities held for sale

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

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

The Group has an employee share scheme (ESOT) for the granting of LSL shares to Executive Directors and selected senior employees and an employee share incentive plan. Shares in LSL held by the ESOT and the trusts are treated as treasury shares and presented in the balance sheet as a deduction from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. The finance costs and administration costs relating to the ESOT and the trusts are charged to the income statement. Dividends earned on shares held in the ESOT and the trusts have been waived. The ESOT and trust shares are ignored for the purposes of calculating the Group's earnings per share (EPS).

2.22 Treasury shares

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

2. Accounting policies, judgements and estimates (continued)

2.23 Dividends

Equity dividends are recognised when they become legally payable. In the case of interim dividends to shareholders, this is when paid. In the case of final dividends, this is when approved by shareholders at each AGM.

2.24 Pensions

The Group operates a defined contribution pension scheme for employees of all Group companies. The assets of the scheme are invested and managed independently of the finances of the Group. The pension cost charge represents contributions payable in the year.

2.25 Critical accounting judgements and estimates

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

Carrying value of goodwill and intangible assets (estimate)

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

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

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

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

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

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

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

Certain subsidiaries sell life assurance products which are cancellable without a notice period, and if cancelled within a set period require that a portion of the commission earned must be repaid. The commission refund liability is recognised as a reduction in revenue which is calculated with reference to historic refunds which have occurred. Details of the assumptions applied to commission refund liability and the impact of changes in average lapse rates are shown in note 24.

Professional Indemnity (PI) claims – valuation (estimate)

A provision is made for professional indemnity claims and potential claims that arise during the normal course of business in relation to valuations performed by the Surveying & Valuation Division. This includes an estimate for the settlement of claims already received as well as claims incurred but not yet reported (IBNR). Details of the assumptions applied to PI claims areas are disclosed in note 26 to these Financial Statements. A sensitivity analysis which illustrates the impact of different assumptions on the required PI Costs provision is also included in note 26.

2. Accounting policies, judgements and estimates (continued)

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

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

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

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

Exceptional items (judgement)
The Group presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

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

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

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

2.26 New standards and interpretations not applied

The Group is required to comply with the requirements of IFRS 17 Insurance Contracts from 1 January 2023. The new accounting standard sets out requirements that the Group should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. The Group has undertaken an assessment of its insurance contracts, including those held under its captive insurance company, Albany Insurance Company (Guernsey) Limited (Albany) and has concluded that there is no impact on the Group Financial Statements as Albany does not write insurance contracts outside of the Group, nor does it enter into reinsurance arrangements.

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

3. Disaggregation of revenue

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

Year ended 31 December 2023

	Financial Services £'000	Surveying & Valuation £'000	Residential sales exchange* £'000	Lettings* £'000	Estate Agency Franchising income £'000	Asset management £'000	Other £'000	Total £'000
Timing of revenue recognition								
Services transferred at a point in time	51,692	67,834	4,115	950	13,529	3,907	1,156	143,183
Services transferred over time	–	–	–	170	952	113	–	1,235
Total revenue from contracts with customers	51,629	67,834	4,115	1,120	14,481	4,020	1,156	144,418

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

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

Year ended 31 December 2022 (Restated)

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

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

4. Segment analysis of revenue and operating profit

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

Operating segments

Each reportable segment has various products and services and the revenue from these products and services are disclosed on pages 14 to 22 under the Business Review section of the Strategic Report.

4. Segment analysis of revenue and operating profit (continued)

The Management Team monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the Group Financial Statements. Head office costs, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Reportable segments

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

Year ended 31 December 2023

	Financial Services £'000	Surveying & Valuation £'000	Estate Agency Franchising £'000	Unallocated £'000	**Total £'000**
Income statement information					
Total revenue from external customers from continuing operations	53,284	67,834	24,892	–	146,010
Introducers' fee	(1,592)	–	–	–	(1,592)
Revenue from continuing operations	51,692	67,834	24,892	–	144,418
Revenue from external customers from discontinued operations	–	–	30,750	–	30,750
Introducers' fee	–	–	1,592	–	1,592
Total revenue from continuing and discontinued operations	51,692	67,834	57,234	–	176,760
Segmental result:					
– Group Underlying Operating profit/(loss) from continuing operations	7,022	5,398	5,637	(7,738)	10,319
– Operating profit/(loss)	5,049	2,000	4,364	(7,666)	3,747
Finance income					2,817
Finance costs					(1,701)
Profit before tax					4,863
Loss before tax from discontinued operations					(45,425)
Loss before tax					(40,562)
Taxation					2,502
Loss for the year					(38,060)
Balance sheet information					
Segment assets – intangible	8,893	11,626	17,761	36	38,316
Segment assets – other	23,439	12,063	12,530	63,176	111,208
Total segment assets	32,332	23,689	30,291	63,212	149,524
Total segment liabilities	(14,476)	(13,728)	(19,510)	(25,865)	(73,579)
Net assets	17,856	9,961	10,781	37,347	75,945
Other segment items					
Capital expenditure including intangible assets	(2,065)	(536)	(255)	–	(2,856)
Depreciation	(590)	(1,754)	(1,018)	–	(3,362)
Amortisation of intangible assets	(1,733)	(46)	(443)	(36)	(2,258)
Exceptional gains	8,981	339	–	–	9,320
Exceptional costs	(9,275)	(3,661)	(831)	–	(13,767)
Share of results in joint venture	(390)	–	–	–	(390)
PI Costs provision	(905)	(2,313)	–	–	(3,218)
Dilapidation provision	–	–	(5,691)	–	(5,691)
Restructuring provision	–	–	(2,069)	–	(2,069)
Other provision	–	–	(571)	–	(571)
Onerous leases provision	–	–	(1)	–	(1)
Share-based payment	54	(30)	1	139	164

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

4. Segment analysis of revenue and operating profit (continued)

Year ended 31 December 2022 (Restated)

	Financial Services £'000	Surveying & Valuation £'000	Estate Agency Franchising £'000	Unallocated £'000	**Total £'000**
Income statement information					
Total revenue from external customers from continuing operations	87,437	93,228	42,563	–	223,228
Introducers' fee	(5,756)	–	–	–	(5,756)
Revenue from continuing operations	81,681	93,228	42,563	–	217,472
Revenue from external customers from discontinued operations	–	–	98,510	–	98,510
Introducers' fee	–	–	5,756	–	5,756
Total revenue from continuing and discontinued operations	81,681	93,228	146,829	–	321,738
Segmental result:					
– Group Underlying Operating profit/(loss)	12,841	20,378	3,949	(7,295)	29,873
– Operating profit/(loss)	(7,179)	20,799	(26,822)	(8,498)	(21,700)
Finance income					76
Finance costs					(2,147)
Loss before tax					(23,771)
Loss before tax from discontinued operations					(34,674)
Loss before tax					(58,445)
Taxation					(4,857)
Loss for the year					(63,302)
Balance sheet information					
Segment assets – intangible	11,750	11,217	46,656	72	69,695
Segment assets – other	24,182	9,236	64,915	69,417	167,750
Total segment assets	35,932	20,453	111,571	69,489	237,445
Total segment liabilities	(20,983)	(14,926)	(46,824)	(28,660)	(111,393)
Net assets	14,949	5,527	64,747	40,829	126,052
Other segment items					
Capital expenditure including intangible assets	(1,888)	(736)	(886)	(343)	(3,853)
Depreciation	(810)	(1,755)	(3,742)	(1,305)	(7,612)
Amortisation of intangible assets	(2,546)	(36)	(205)	–	(2,787)
Exceptional gains	–	694	–	–	694
Exceptional costs	(17,458)	–	(30,858)	–	(48,316)
Share of results in joint venture	(494)	–	–	–	(494)
PI Costs provision	–	2,341	–	–	2,341
Onerous leases provision	–	–	14	–	14
Share-based payment	(16)	(237)	(80)	(1,527)	(1,860)

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

5. Group and Divisional Underlying Operating Profit

Group and Divisional Underlying Operating Profit are alternative performance measures (APMs) used by the Directors and Group Management to monitor performance of operating segments against budget. It is calculated as (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 2023

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

Year ended 31 December 2022 (Restated)

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

6. Discontinued operations

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

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

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

Financial performance and cash flow information

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

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

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

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6. Discontinued operations (continued)

Loss on disposal

Details of the sale of the operations:

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

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

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

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

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

Franchise intangible – sensitivity analysis

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

Exceptional costs

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

Estate Agency restructuring costs

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

7. Finance income

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

8. Finance costs

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

9. Exceptional items

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

9. Exceptional items (continued)

Exceptional costs

Estate Agency restructuring costs

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

Surveying & Valuation restructuring costs

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

Financial Services acquisition costs

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

Loss on sale of disposal groups

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

Group First and RSC

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

Marsh & Parsons

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

See note 36 for details regarding restatements.

Intangible assets write down

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

Reduction in deferred consideration receivable

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

Exceptional gains

Gain on sale of disposal groups

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

9. Exceptional items (continued)

Summary of gain/loss on disposal groups

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

10. Loss before tax

Loss before tax is stated after charging:

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

11. Auditor's remuneration

The remuneration of the auditors is further analysed as follows:

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

12. Earnings per Share (EPS)

Basic EPS amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

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

Total EPS:

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

Total EPS from continuing operations:

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

Total EPS from discontinued operations:

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

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these Financial Statements.

Adjusted basic and diluted EPS

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

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

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

12. Earnings per Share (EPS) (continued)

Adjusted basic and diluted EPS

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

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

13. Dividends paid and proposed

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

14. Cash flow from financing activities

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

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 £'000	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

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

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

15. Directors and employees

Remuneration of Directors

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

Note:

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

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

Remuneration of Key Management Personnel

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

Note:

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

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

Employee numbers and costs

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

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

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

	2023 £'000	2022 £'000
Financial Services	490	953
Surveying & Valuation	879	931
Estate Agency Franchising	1,006	2,062
	2,375	3,946

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

Share-based payments

The Directors' Remuneration Policy on pages 95 – 100 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.

15. Directors and employees (continued)

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

Long-term incentive plan (LTIP)
The Group operates a LTIP (an equity-settled share-based remuneration scheme) for certain employees. Under the LTIP, the options vest if the individual remains an employee of the Group after a three-year period, unless the individual has left under certain 'good leaver' terms in which case the options may vest earlier and providing the performance conditions are met.

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

- if the Group is in the top 25% percentile, all of these options will vest;
- if the Group is at the median, 25% will vest;
- straight-line vesting between median and top 25% percentile; and
- below the median, no options vest.

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

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

Company stock option plan (CSOP)
The Group operates a CSOP (an equity-settled share-based remuneration scheme) for certain employees. Under the CSOP the options vest if the individual remains an employee of the Group after a three-year period, unless the individual has left under certain 'good leaver' terms in which case the options may vest earlier.

SAYE (save-as-you-earn) scheme
The Group has offered options under the SAYE scheme in each of 2011 to 2014, 2016 to 2019 and 2021 years. All these offers were open to all qualifying employees and provide for an exercise price equal to the daily average market price on the date of grant. The options will vest if the employee remains in service for the full duration of the option scheme (three years). There are no cash settlement alternatives.

BAYE (buy-as-you-earn) scheme
The matching shares element of the SIP (share incentive plan)/SAYE was introduced and provides participants with one matching share for every five partnership shares purchased. The matching shares are allocated from ordinary shares held by the Employee Benefit Trust for the benefit of SIP/BAYE participants. The maximum saving under the scheme would be automatically capped at £150 per month (as per HMRC limits).

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

The Group's first free share scheme awarded £500 per full-time employee and a pro-rated award for all part-time employees who had joined the Group on or before 31 March 2020 and were still employed and not serving notice at the time the grant was made on 1 October 2020. The awards will normally become available for employees once they have been held in the SIP plan for three years or more.

15. Directors and employees (continued)

Movements during the year

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

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

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

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

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

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

The volatility assumption, measured at the standard deviation of expected share price returns, is based on statistical analysis of historical share price. The dividend yield assumption is based on the fact that the shares awarded are not eligible to receive dividends until the end of the vesting period.

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

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

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

16. Taxation

(a) Taxation charge

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

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

Continuing and discontinued operations:

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

Corporation tax is recognised at the headline UK corporation tax rate of 23.5% (2022: 19.0%).

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

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

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

16. Taxation (continued)

(b) Factors affecting tax charge for the year

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

	2023 £'000	Restated 2022 £'000
Profit/(loss) before tax from continuing operations	4,863	(23,771)
(Loss)/profit before tax from discontinued operations	(45,425)	(34,674)
Loss before tax	(40,562)	(58,445)
Tax calculated at UK standard CT rate of 23.5% (2022: 19.0%)	(9,532)	(11,105)
Non-deductible expenditure from joint venture	91	94
Other disallowable expenses	9,934	16,525
Net non-taxable gains on disposal of investments	(834)	–
Impact of movement in contingent consideration credited to the income statement	817	(118)
Share-based payment relief	(229)	78
Brought forward losses not previously recognised	(1)	(50)
Current year losses not recognised	–	157
Impact of rate change on deferred tax	16	(64)
Prior period adjustments – current tax	153	(824)
Prior period adjustment – deferred tax	(416)	164
Deferred tax balances written back on disposal of subsidiary undertakings	(2,501)	–
Total taxation (credit)/charge	(2,502)	4,857
Total tax (credit)/charge from continuing operations	(3,170)	3,020
Total tax charge from discontinued operations	668	1,837
Total taxation (credit)/charge	(2,502)	4,857

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

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

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

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

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

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

No deferred tax asset is recognised in respect of trading losses of £9.5m (2022: £9.3m). Of this balance, £1.6m relates to the impact of the prior year restatement (refer to note 36 for further information). The balance has not been recognised as the formal process for claiming a deduction for these losses has not yet been finalised. The remaining losses may be recoverable in the future, and this is dependent on subsidiary companies generating taxable profits sufficient to allow the utilisation of these amounts. These deferred tax assets cannot be offset against profits elsewhere in the Group as they relate to losses brought forward which can only be offset against taxable profits arising from the same trade in which the losses arose. There is no time limit for utilisation of the above tax losses.

No deferred tax asset is recognised in respect of capital losses of £2.6m (2022: £2.7m) as there are no capital profits forecast against which these losses can be utilised. There is no time limit for utilisation of the above tax losses.

16. Taxation (continued)

(d) Deferred tax

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

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

Net deferred tax (asset)/liability analysed as:

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

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

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

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

At the end of either year there was no unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries.

Deferred tax credit in income statement relates to the following:

	2023 £'000	Restated 2022 £'000
Intangible assets recognised on business combinations	(2)	513
Accelerated capital allowance	267	(260)
Deferred tax on share options	(119)	(179)
Other temporary differences	(213)	7
Trading losses recognised	2,722	21
Total deferred tax credited in income statement	2,655	102

16. Taxation (continued)

	2023 £'000	Restated 2022 £'000
Deferred tax (credit) in income statement for the year from continuing operations	5,901	152
Deferred tax charge in income statement for the year from discontinued operations	(3,246)	(50)
Total deferred tax credited in income statement	2,655	102

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

17. Intangible assets

Goodwill and brand

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

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

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

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

17. Intangible assets (continued)

Impairment of goodwill and other intangibles with indefinite useful lives

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

- Financial Services companies
  - First Complete
  - Advance Mortgage Funding
  - Personal Touch Financial Services
  - Direct Life and Pension Services
- Surveying & Valuation company
  - e.surv
- Estate Agency companies
  - Your Move and Reeds Rains (including its share of cash flows from LSL Corporate Client Department)
  - LSLi
  - Templeton LPA
  - St Trinity

Recoverable amount of CGUs

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

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

The calculation of value-in-use for each of the Financial Services, Surveying & Valuation and Estate Agency companies is most sensitive to the following assumptions:

- Discount rates
- Performance in the market

Discount rates

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

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

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

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

Performance in the market

Reflects how Management believes the business will perform over the three-year period and is used to calculate the value-in-use of the CGUs.

Sensitivity to changes in assumptions

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

17. Intangible assets (continued)

Other intangible assets

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

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

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

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

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

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

19. Financial assets

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

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

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

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

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

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

(b) Financial assets at fair value through income statement

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

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

Openwork Units

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

Contingent Consideration Receivable

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

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

19. Financial assets (continued)

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

(c) Financial assets measured at amortised cost

Financial assets measured at amortised cost include investment in subleases and loans to franchisees and appointed representatives.

Investment in subleases

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

Loans to franchisees and appointed representatives

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

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

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

20. Investments in joint venture

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

Pivotal Growth

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

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

As at 31 December 2023, the Group did not have any commitments or contingent liabilities relating to Pivotal.

The Group invested a further £4.7m during the year (2022: £4.0m).

20. Investments in joint venture (continued)

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

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

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

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

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

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

21. Contract assets

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

In 2021, the Group entered a long-term contract for the provision of mortgage and insurance advice in the Financial Services Division. In accordance with IFRS 15, items relating to the reimbursement of costs associated with the award of material contracts in the Group have been recognised as contract assets. This reimbursement will be amortised over the term of the contracts. The amount of amortisation recognised in the income statement in 2023 is £0.3m (2022: £0.4m). During the year, the Group reviewed the contract's value-in-use (VIU) and recognised £0.1m (2022: £nil) impairment to the asset.

22. Trade and other receivables

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

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

Trade receivables are non-interest-bearing and are generally on 4 to 30 day terms depending on the services to which they relate. As at 31 December 2023, trade receivables with a nominal value of £3.6m (2022: £3.0m) were impaired and provided for. Set out below is the movement in the allowance for expected credit losses of trade receivables:

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

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

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

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

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

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

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

23. Cash and cash equivalents

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

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

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

24. Trade and other payables

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

**Formerly named lapse provision.*

Commission refund liability

Certain subsidiaries earn commissions on the sale of life assurance and general insurance products with terms from one to four years which are cancellable without a notice period and, if cancelled within a set period, require that a portion of the commission earned must be repaid. The subsidiaries do not hold insurance risk on the life assurance and general insurance products sold.

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

25. Financial liabilities

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

Bank loans – RCF and overdraft

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

25. Financial liabilities (continued)

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

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

Contingent consideration

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

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

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

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

	2023 £'000	2022 £'000
Arrangement under IFRS 3	31	(696)
Unwinding of discount on contingent consideration (note 7)	3	75
Debit/(credit) to income statement	34	(621)

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

26. Provisions for liabilities

	2023					
	PI claim provisions £'000	**Onerous leases £'000**	**Dilapidation provision £'000**	**Restructuring provision £'000**	**Other £'000**	**Total £'000**
Balance at 1 January	2,341	14	–	–	–	**2,355**
Transfer from accruals*	–	–	1,007	–	571	**1,578**
Provided in financial year	1,622	–	4,647	2,941	–	**9,210**
Amount utilised	(406)	(13)	–	(872)	–	**(1,291)**
Amount released	(339)	–	(82)	–	–	**(421)**
Unwinding of discount	–	–	119	–	–	**119**
Balance at 31 December	**3,218**	**1**	**5,691**	**2,069**	**571**	**11,550**
Current liabilities	**1,314**	**1**	**1,948**	**2,069**	**571**	**5,903**
Non-current liabilities	**1,904**	**–**	**3,743**	**–**	**–**	**5,647**
	3,218	**1**	**5,691**	**2,069**	**571**	**11,550**

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

PI claim provisions:

Surveying & Valuation PI provision

The PI claim provision is to cover the costs of claims that arise during the normal course of business. The PI claim provision includes both valuation and defect claims and provides for claims already received from clients and claims yet to be received. The provision is Management's best estimate of the likely outcome of such claims, taking account of the incidence of such claims and the size of the loss that may be borne by the claimant, after taking account of actions that can be taken to mitigate losses.

The PI claim provision will be utilised as individual claims are settled, and the settlement amount may vary from the amount provided depending on the outcome of each claim. It is not possible to estimate the timing of payment of all claims and therefore a significant proportion of the provision has been classified as non-current. As of 31 December 2023, the total provision for PI claim was £2.4m. The Directors have considered the sensitivity analysis on the key risks and uncertainties discussed above.

Valuation claims:

- *Cost per claim*
  A substantial element of the PI claim provision relates to specific claims where disputes are ongoing. These specific claims have been separately assessed and specific provisions have been made. The average cost per claim has been used to calculate the claims incurred but not yet reported (IBNR). Should the costs to settle and resolve these specific claims and future claims increase by 10%, an additional £0.2m would be required.

- *Rate of claim*
  The IBNR assumes that the rate of claim for the high-risk lending period reduces over time. Should the rate of reduction be lower than anticipated and the duration extended, further costs may arise. An increase of 30% in notifications more than that assumed in the IBNR calculations would increase the required provision by £0.5m. Claims are settled, on average, 3.7 years after initial notification.

- *Notifications*
  The Group has received a number of notifications which have not deteriorated into claims or loss. Should the rate of deterioration increase by 50%, an additional provision of less than £0.1m would be required.

Defect claims:

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

PI release:

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

26. Provisions for liabilities (continued)

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

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

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

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

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

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

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

Other:
Claims indemnity provision and contingency
Included in the sale agreement of LMS was a claims indemnity of £2.0m, for which the Group has provided £0.6m, which it considers to be the most likely outcome, the Group disposed of LMS in 2021. Further cases exist and are considered possible, not probable, therefore no further provision has been made for these cases in the Financial Statements. Should these claims succeed the estimated further costs would be £1.4m.

27. Leases

Group as a lessee

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

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

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

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

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

Maturity of these lease liabilities undiscounted is analysed as follows:

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

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

Group as a lessor

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

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

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

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

27. Leases (continued)

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

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

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

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

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

28. Share capital

	2023		2022	
	Shares	**£'000**	Shares	£'000
Authorised:				
Ordinary shares of 0.2 pence each	500,000,000	1,000	500,000,000	1,000
Issued and fully paid:				
At 1 January	105,158,950	210	105,158,950	210
At 31 December	105,158,950	210	105,158,950	210

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29. Reserves

Share premium

The amount subscribed for share capital in excess of nominal value less any costs attributable to the issue of new shares.

Share-based payment reserve

The share-based payment reserve is used to record the value of equity-settled share-based payment provided to the employees, as part of their remuneration. Note 15 gives further details of these plans.

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

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

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

Treasury shares

Treasury shares represent the cost of LSL shares purchased in the market as a result of a share buy-back scheme which commenced in April 2022 and ceased in September 2022. At 31 December 2023, LSL had repurchased 1,179,439 (2022: 1,179,439) LSL shares at an average cost of £3.38 (2022: £3.38). The market value of the LSL shares at 31 December 2023 was £3.0m (2022: £4.1m). The nominal value of each share is 0.2 pence.

Fair value reserve

The fair value reserve is used to record the changes in fair value of equity financial assets that the Group has elected to recognise through OCI. Following the disposals of investments in Vibrant Energy Matters Limited (VEM) and Yopa Property Limited (Yopa) during the year, £20m of fair value held within the fair value reserve were transferred to retained earnings.

30. Pension costs and commitments

The Group operates defined contribution pension schemes for certain Executive Directors and certain employees. The assets of the schemes are held separately from those of the Group in independently administered funds, the total contributions to the defined contribution schemes in the year were £4.5m (2022: £6.0m). At 31 December 2023, there were outstanding pension contributions of £0.5m (2022: £0.9m) included in trade and other payables.

31. Client monies

As at 31 December 2023, monies held by the Group on behalf of franchisees in separate bank accounts in relation to client monies amounted to £68.4m (2022: £104.1m). Neither this amount, nor the matching liabilities to the clients concerned are included in the Group Balance Sheet.

Client funds are protected by the Financial Services Compensation Scheme (FSCS) under which the Government guarantees amounts up to £85,000. This guarantee applies to each individual client, not the total of deposits held by LSL.

32. Financial instruments – risk management

The Group's principal financial instruments comprise of cash and cash equivalents with access to a further £60m revolving credit facility which is undrawn at the balance sheet date. The main purpose of these financial instruments is to raise finance for the Group's operations and to fund acquisitions. The Group has various financial assets and liabilities such as trade receivables, cash and short term deposits and trade payables, which arise directly from its operations.

The Group is exposed through its operations to the following financial risks:

- interest rate risk;
- liquidity risk; and
- credit risk.

Policy for managing these risks is set up by the Board following recommendations from the Group Chief Financial Officer. Certain risks are managed centrally, while others are managed locally following communications from the centre. The policy for each of the above risks is described in more detail below.

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 use of the Group's RCF. The RCF incurs interest on drawings at a variable rate, based on the Bank of England base rate plus a margin and this policy is managed centrally by the Group treasury function. The subsidiaries are not permitted to borrow from external sources directly without approval from the Group treasury function.

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

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generation by its operations, dividend policy and acquisition strategy. Acquisitions are carefully selected with authorisation limits operating up to Board level and cash payback periods applied as part of the investment appraisal process. In this way the Group aims to maintain a good credit rating to facilitate fundraising. The Group is also very cash generative. The Group has net current assets in the current year. The requirement to pay creditors is managed through future cash generation and, if required, from the RCF.

The Group monitors its risk of a shortage of funds using a recurring liquidity planning tool and daily cash flow reporting. This includes consideration of the maturity of both its financial investments and financial assets (e.g. accounts receivable, and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility for potential acquisitions through the use of its banking facilities.

Cash at the bank earns interest at floating rates based on daily bank overnight deposit rates. Short-term deposits are made for varying periods of time depending on the immediate cash requirements of the Group and earn varying interest rates. The fair value of net cash and cash equivalents is £35.0m (2022: £40.1m, including £3.4m included in assets held for sale). At 31 December 2023, the Group had available £60.0m of undrawn committed borrowing facilities, of which the Group could have drawn £33.0m under the terms of the facility (2022: the Group could have drawn £90.0m of the facility available at 31 December 2022).

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

Year ended 31 December 2023

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

Year ended 31 December 2022 (Restated)

	On demand £'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
Overdraft	24,460	–	–	–	–	24,460
Contingent consideration	–	2,280	–	31	–	2,311
Lease liabilities	–	1,886	5,659	15,371	5,025	27,941
	24,460	52,300	5,659	15,402	5,025	102,846

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

The liquidity risk of each Group entity is managed centrally by the Group Treasury function. The Group's cash requirement is monitored closely. All surplus cash is held centrally to achieve higher interest income. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements. The Group has a RCF with a syndicate of major banking corporations to manage longer-term borrowing requirements.

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

The Group does not have a current ratio of Net Bank Debt to EBITDA (2022: nil) due to a net cash position of £35.0m (2022: net cash £40.1m) and operating profit before exceptional costs, amortisation and share-based payment charge of £9.3m (2022: £36.5m). The business is cash generative with a low capital expenditure requirement. The Group remains committed to its stated dividend policy of 30% of Group Underlying Operating Profit after interest and tax. The Board has reviewed the policy in line with the risks and capital management decisions facing the Group.

Credit risk

There are no significant concentrations of credit risk within the Group. The Group is exposed to credit risk in respect of revenue transactions (i.e. turnover from customers). It is Group policy, implemented locally, to obtain appropriate details of new customers before entering into contracts.

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

Risk of exposure to non-return of cash on deposit is managed by placing funds with lenders who form part of the Group's agreed banking facility syndicate, which comprises several leading UK banks.

The majority of the Surveying & Valuation customers and those of the asset management business are large financial institutions and as such, the credit risk is not expected to be significant. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

Financial instruments are grouped on a subsidiary basis to apply the expected credit loss model.

The chosen method of recognising the expected credit loss across the Group is the simplified approach allowing a provision matrix to be used, which is based on the expected credit life of trade receivables, historic default rates and forward-looking information. Trade receivable balances are written off when the probability of recovery is assessed as being remote.

Interest rate risk profile of financial assets and liabilities

LSL's treasury policy is described above. The disclosures below exclude short-term receivables and payables which are primarily of a trading nature and expected to be settled within normal commercial terms.

The interest rate profile of the financial assets and liabilities of the Group as at 31 December 2023 are as follows:

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

Fair values of financial assets and financial liabilities

There are no differences between the carrying amounts and fair values of all of the Group's financial instruments that are carried in the Financial Statements.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

32. Financial instruments – risk management (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

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

2022	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	1,045	–	–	1,045
Liabilities measured at fair value				
Contingent consideration	2,311	–	–	2,311

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

The fair value of financial assets that are not traded in the open market is £0.4m (2022: £1.0m), these are valued using Level 3 techniques in accordance with the fair value hierarchy and Management use all relevant and up to date information (including cash flow forecasts and financial statements) to arrive at their judgement. Where appropriate, a range of potential outcomes is considered in reaching a conclusion. If this was to drop by 10%, the implied valuation is likely to also drop by around 10%, £0.04m.

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

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

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

The contingent consideration payable relates to amounts payable in the future on acquisitions. The amounts payable are based on the amounts agreed in the contracts and based on the future profitability of each entity acquired. In valuing each provision, estimates have been made as to when the options are likely to be exercised and the future profitability of the entity at this date. Further details of these provisions are shown in note 25. Of the balance held at 31 December 2023, £0.07m (2022: £2.3m) relates to DLPS acquired in January 2021. The consideration has been calculated using earnings multiple of 4x EBITA. The contingent consideration was paid in January 2024.

33. Related party transactions

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

Transactions with Pivotal Growth and its subsidiaries

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

There are no transactions with key management personnel other than those disclosed in note 15.

34. Events after the reporting period

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

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

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

35. Alternative performance measures

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

The Group reports the following APMs:

a) *Group and Divisional Underlying Operating Profit*

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

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

b) *Group and Divisional Underlying Operating Margin*

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

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

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

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

35. Alternative performance measures (continued)

d) Adjusted operating expenditure

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

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

e) Net cash/debt

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

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

f) Adjusted cash flow from operations

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

	2023 £'000	Restated 2022 £'000
Cash generated from operations	3,916	34,116
Payment of principal portion of lease liabilities	(4,529)	(7,170)
PI provision utilisation	406	762
Adjusted cash flow from operations	(207)	27,708

35. Alternative performance measures (continued)

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.

	2023 £'000	Restated 2022 £'000
Adjusted cash flow from operations	(207)	27,708
Group Underlying Operating Profit	9,344	35,834
Cash flow conversion rate	(2.2%)	77.3%

36. Prior year restatements

Franchising of previously owned branches

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

1. Disposal of goodwill

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

2. Recognition of franchise intangible and subsequent amortisation

The franchise agreements entered upon disposal of the previously owned branches were not considered to represent assets of the Group and were not recognised in 2019 when the transaction was accounted for. Having re-examined the accounting treatment applied; restatement of the 2022 opening net assets in this regard will be an increase of £1.7m and has no impact on cash.

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

3. Revision to goodwill impairments

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

Adjustments to assets held for sale

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

36. Prior year restatements (continued)

Customisation costs in computing arrangements

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

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

Cash offsetting

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

Earnings per share

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

Tax impacts of prior year adjustments

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

36. Prior year restatements (continued)

Balance sheet (extract)

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

Income statement (extract)

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

37. Subsidiary and joint venture companies

As at 31 December 2023, 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 Pensions Services Limited	2	Indirect	Direct Life Quote Holdings Ltd	100%	Financial Services
Direct Life Limited	2	Indirect	Direct Life and Pensions Services Limited	100%	Non Trading
LifeQuote Limited	2	Indirect	Direct Life and Pensions Services Limited	100%	Non Trading
Reeds Rains Financial Services Limited	2	Indirect	Reeds Rains Limited	100%	Financial Services
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
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	6	Direct	LSL Property Services plc	100%	Captive Insurer
e.surv Limited	5	Direct	LSL Property Services plc	100%	Chartered Surveyors
Estate Agency Franchising – 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 Franchising – residential sales and lettings					
Airport Lettings Stansted Limited	2	Indirect	ICIEA Limited	100%	Non Trading

37. 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
Bawtry Lettings and Sales Limited	2	Indirect	your-move.co.uk 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%	Non Trading
Davis Tate Ltd	2	Indirect	LSLi Limited	100%	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
Fourlet (York) Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
GFEA Limited	2	Indirect	LSLi Limited	100%	Holding Company
Guardian Property Lettings Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Hawes & Co Limited	2	Indirect	LSLi Limited	100%	Holding Company
Headway Property Management Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Holloways Residential Ltd	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Home and Student Link Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Homefast Property Services Limited	2	Indirect	Lending Solutions Holdings Limited	77.5%	Conveyancing Packaging
Hydegate Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
ICIEA Limited	2	Indirect	LSLi Limited	100%	Non-Trading
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%	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%	Non-Trading
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%	Estate Agency
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%	Estate Agency 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

37. 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
Thomas Morris Limited	1	Indirect	LSLi Limited	100%	Non Trading
Top-Let Limited	2	Indirect	LetCo Group 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
Yates Lettings Limited	2	Indirect	Davis Tate Ltd	100%	Non Trading
your-move.co.uk Limited	1	Indirect	Lending Solutions Holdings Limited	100%	Estate Agency and Holding Company
Lawlors Property Services Limited	2	Indirect	ICIEA Limited	100%	Non Trading

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. 13 Queens Road, Aberdeen, Scotland, AB15 4YL
5. Unit 1, Orion Park, Kettering, Northamptonshire, England, NN15 6PP
6. The Albany, South Esplanade, St Peters Port, Guernsey, GY1 4NF

Audit exemptions under section 479a of the Companies Act

The following eleven 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)

Parent Company Balance Sheet

as at 31 December 2023

Company No. 05114014

	Note	2023 £'000	Restated* 2022 £'000
Non-current assets			
Other intangible assets	3	36	79
Property, plant and equipment and right-of-use assets	4	937	1,945
Investment in subsidiaries	5	113,484	116,666
Financial assets	6	1,640	115
Investment in joint venture	7	9,359	5,068
Trade and other receivables	8	4,408	18,079
Contract assets	9	329	–
Deferred tax asset	14	3,659	1,019
		133,852	142,971
Current assets			
Trade and other receivables	8	10,537	20,376
Cash and cash equivalents	10	32	–
Contract assets	9	40	–
Assets held for sale		–	26,815
		10,609	47,191
Total assets		144,461	190,162
Current liabilities			
Trade and other payables	11	(49,157)	(85,536)
Bank overdrafts	10	(16,663)	(4,826)
Financial liabilities	12	(107)	–
Provision for liabilities	13	(571)	–
		(66,498)	(90,362)
Non-current liabilities			
Financial liabilities	12	(65)	(31)
Total liabilities		(66,563)	(90,393)
Net assets		77,898	99,769
Equity			
Share capital	15	210	210
Share premium account	16	5,629	5,629
Share-based payment reserve	16	3,564	5,331
Shares held by employee benefit trust and share incentive plan	16	(2,871)	(5,457)
Treasury shares	16	(3,983)	(3,983)
Fair value reserve	16	(306)	(20,190)
Retained earnings		75,655	118,229
Total equity		77,898	99,769

**See note 21 for details regarding the restatement.*

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 £9.8m (2022: £24.4m loss after tax). The notes on pages 184 to 196 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
24 April 2024

Adam Castleton
Group Chief Financial Officer
24 April 2024

Parent Company Statement of Cash Flows

for the year ended 31 December 2023

	Note	2023 £'000	Restated* 2022 £'000
Parent operating loss before tax		(12,673)	(25,010)
Adjustments for:			
Exceptional costs		8,215	(45)
Exceptional gains		(1,394)	–
Increase in contract asset		(369)	–
Impairment of investments	5	2,672	36,687
Disposal of investments	5	533	–
Impairment of receivables	8	1,925	5,684
Depreciation of tangible assets	4	675	1,175
Amortisation of intangible assets	3	43	–
Share-based payments		(132)	1,527
Loss from joint venture	7	390	1,361
Finance income		(566)	(80)
Finance costs		2,348	1,261
Dividend income		(14,500)	(27,000)
Operating cash flows before movements in working capital		(12,833)	(4,440)
Movements in working capital			
Decrease/(increase) in trade and other receivables		11,110	(6,430)
(Decrease)/increase in trade and other payables		(41,295)	13,465
Increase in provisions		571	–
		(29,614)	7,035
Cash generated from operations		(42,447)	2,595
Interest paid		(758)	(1,181)
Income taxes paid		–	(1,271)
Group tax relief settlement		6,897	–
Net cash generated from operating activities		(36,308)	143
Cash flows used in investing activities			
Investment in joint venture	7	(4,681)	(3,952)
Dividends received from subsidiaries		14,500	27,000
Purchases of property, plant and equipment	4	(129)	(3,112)
Proceeds from sale of subsidiary		26,100	–
Net cash generated on investing activities		35,790	19,936
Cash flows used in financing activities			
Interest received		319	–
Drawdown of overdraft		31,195	6,699
Repayment of overdraft		(19,390)	(6,821)
Proceeds from exercise of share options		–	825
Purchase of LSL shares by employee benefit trust		–	(5,026)
Repurchase of treasury shares		–	(3,983)
Dividends paid to equity holders of the Parent		(11,714)	(11,773)
Repayment of lease liabilities		108	–
Net cash (expended) in financing activities		518	(20,079)
Net increase/(decrease) in cash and cash equivalents		–	–
Cash and cash equivalents at the beginning of the year		–	–
Cash and cash equivalents at the end of the year		–	–

** See note 21 for details regarding the restatement.*

The notes on pages 184 to 196 form part of these Financial Statements.

Parent Company Statement of Changes in Equity

for the year ended 31 December 2023

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Shares held by EBT and SIP £'000	Treasury shares £'000	Fair value reserve £'000	Retained earnings £'000	Total £'000
As at 1 January 2023	210	5,629	5,331	(5,457)	(3,983)	(20,190)	118,229	99,769
Loss for the year	–	–	–	–	–	–	(9,825)	(9,825)
Revaluation of financial assets	–	–	–	–	–	(116)	–	(116)
Total comprehensive loss for the year	–	–	–	–	–	(116)	(9,825)	(9,941)
Exercise of options	–	–	(1,106)	2,586	–	–	(1,480)	–
Vested share options lapsed in the year	–	–	(445)	–	–	–	445	–
Share-based payment transactions	–	–	(109)	–	–	–	–	(109)
Fair value reclassification following disposal	–	–	–	–	–	20,000	(20,000)	–
Tax on share-based payments	–	–	(107)	–	–	–	–	(107)
Dividends paid	–	–	–	–	–	–	(11,714)	(11,714)
As at 31 December 2023	210	5,629	3,564	(2,871)	(3,983)	(306)	75,655	77,898

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

The notes on pages 184 to 196 form part of these Financial Statements.

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Shares held by EBT and SIP £'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
Loss for the year (Restated)*	–	–	–	–	–	–	(24,466)	(24,466)
Revaluation of financial assets	–	–	–	–	–	(4,495)	–	(4,495)
Total comprehensive loss for the year	–	–	–	–	–	(4,495)	(24,466)	(28,961)
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)	118,229	99,769

**See note 21 for details regarding the restatement*

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 184 to 196 form part of these Financial Statements.

Notes to the Parent Company Financial Statements

for the year ended 31 December 2023

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 2023. 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 effect the Parent Company accounts is focused on how medium (4-9 years) to long term risks (beyond 10 years) 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.

Judgements and estimates

The preparation of financial information in conformity with UK-adopted IAS, requires management to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

• Judgements

There are no areas of judgement that have a significant effect on the amounts recognised in the Financial Statements of the Company.

• Estimates

The key assumption affected by future uncertainty that has significant risks of causing material adjustment to the carrying value of assets and liabilities within the next financial year is:

Recoverability of investments and receivables from Group companies (estimate)

The Company assesses whether there are any indicators of impairment of investments or receivables from Group companies at each reporting date. Investments and receivables from Group companies are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Details of impairments of investments recorded during the year are included in note 5 and details of intercompany impairments are included in note 8.

Deferred tax

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

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 2023.

Income taxes

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

1. Accounting policies (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 neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

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

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the 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 employee benefit trust (EBT) and share incentive plan (SIP)
The Group has an employee share scheme (ESOT) for the granting of LSL shares to Executive Directors and selected senior employees and an employee share incentive plan (trust). Shares in LSL held by the ESOT and the trusts are treated as treasury shares and presented in the balance sheet as a deduction from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. The finance costs and administration costs relating to the ESOT and the trusts are charged to the income statement. Dividends earned on shares held in the ESOT and the trusts have been waived.

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.

1. Accounting policies (continued)

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

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

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

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. The subsequent measurement of financial assets depends on their classification.

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.

1. Accounting policies (continued)

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.

Intercompany receivables

Intercompany receivables are classified as current where the balance is expected to be repaid in the next 12 months and non-current when they are expected to be repaid in more than 12 months. The Company recognises a loss allowance based on the lifetime expected credit loss for intercompany receivables at each reporting date.

2. Cash flow from financing activities

	At 1 January 2023 £'000	Cash flow £'000	Acquisitions £'000	Foreign exchange £'000	Unwind of discount £'000	**At 31 December 2023 £'000**
Short term liabilities	4,826	11,837	–	–	–	16,663
	4,826	11,837	–	–	–	16,663

Short term liabilities

At 31 December 2023 short term liabilities include a bank overdraft of £16.7m (2022: £4.8m) see note 10.

3. Intangible assets

	Software £'000	**Total £'000**
Cost		
At 1 January 2023	79	79
Additions	–	–
As at 31 December 2023	79	79
Amortisation		
At 1 January 2023	–	–
Amortisation	43	43
As at 31 December 2023	43	43
Net book value		
As at 31 December 2023	36	36
As at 31 December 2022	79	79

4. Property, plant, and equipment

	Land and buildings £'000	Leasehold improvements £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost				
At 1 January 2022	90	74	120	284
Additions	–	–	3,112	3,112
At 31 December 2022	90	74	3,232	3,396
Additions	125	–	4	129
Disposals	–	–	(1,606)	(1,606)
At 31 December 2023	215	74	1,630	1,919
Depreciation				
At 1 January 2022	90	67	119	276
Charge for the year	–	–	1,175	1,175
At 31 December 2022	90	67	1,294	1,451
Charge for the year	32	–	643	675
Disposals	–	–	(1,144)	(1,144)
At 31 December 2023	122	67	793	982
Net book value				
At 31 December 2023	93	7	837	937
At 31 December 2022	–	7	1,938	1,945
Owned assets	–	7	837	844
Right-of-use assets	93	–	–	93
	93	7	837	937

5. Investment in subsidiaries

Details of the subsidiaries held directly and indirectly by the Company are shown in note 37 to the Group Financial Statements.

	2023 £'000	Restated 2022 £'000
At 1 January	116,666	179,718
Additions	–	–
Adjustments for share-based payment	23	450
Disposals	(533)	–
Impairment in cost of investments	(2,672)	(36,687)
Reclassified as held for sale	–	(26,815)
At 31 December	113,484	116,666

In 2023 there was a decrease of £0.02m (2022: increase of £0.5m) in 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 decrease in the year was driven by large volume of options lapsing due to restructuring across the subsidiary undertakings.

During the year, the Company disposed of its subsidiaries Marsh & Parsons (Holdings) Limited (M&P) and Embrace Financial Services Limited (EFS). As a result, investment balances of £0.4m in M&P and £0.1m in EFS were disposed from the investment in subsidiaries balance.

In 2023, the Company recognised an impairment of £2.7m (2022: £12.7m) in its investment in Reeds Rains. The charge was calculated based on the recoverable amount of each of the investments, the recoverable amount is based on the higher of each investments value-in-use (VIU) or fair value less cost to sell (FVCLTS). Where the recoverable amount has been assessed based on a VIU calculation, a discount rate 15.7% (2022: 14.2%) and terminal growth rate of 2.0% (2022: 2.0%) has been applied. The carrying value of Reeds Rains at the period end is £13.7m (2022: £16.4m).

5. Investment in subsidiaries (continued)

Sensitivity to change in assumptions

Sensitivity analysis has been performed for investments held by the Company at the reporting date to assess the extent to which reasonably possible changes in key assumptions would impact the impairment charge. During the year, the Company recorded a total impairment charge of £2.7m in relation to its investment in Reeds Rains. In addition, the Company's investment in Albany was sensitive to any changes in key assumptions used within the VIU calculation.

The following sensitivities have been applied to the investments at the period end:

i. Growth rate – a reduction in growth rate of 0.5% -1.0%
ii. Discount rate – an increase in discount rate of 1.0% -1.5%
iii. Reduction in future cash flows – a reduction in future cash flows of 10.0%

If growth rate was reduced by 1%, the impairment charge to Reeds Rains would increase to £3.0m and there would be an impairment to Albany of £0.1m. No impairment charge required for any other investments.

If discount rate was to increase by 1.5%, the impairment charge to Reeds Rains would increase to £3.5m and there would be an impairment to Albany of £0.3m. No impairment charge required for any other investments.

If a reduction in future cash flows of 10% was applied, the impairment charge to Reeds Rains would increase to £3.5m and there would be an impairment to Albany of £0.3m. No impairment charge required for any other investments.

6. Financial assets

	2023 £'000	2022 £'000
(a) Investment in equity instruments – at fair value		
Unquoted shares at fair value	–	115
	–	115
At 1 January	115	4,610
Additions	–	–
Disposals	–	–
Revaluation	(115)	(4,495)
At 31 December	–	115

Investment in equity instruments

The financial assets include unlisted equity instruments which are carried at fair value. Fair value is judgemental given the assumptions required and have been valued using a level 3 valuation techniques (see note 32 to the Group Financial Statements). During the period, the Company also revalued downwards its investment in Global Property Ventures to £nil at 31 December 2023 (2022: £0.1m).

	2023 £'000	2022 £'000
(b) Financial assets at fair value through income statement (FVPL)		
Contingent consideration receivable	1,640	–
	1,640	–

Contingent consideration receivable

Contingent consideration of £1.6m relates to EFS which was sold in H1 2023. The consideration payable will be 7x the combined EBITDA in calendar year 2024, subject to working capital adjustments and is payable in the first half of 2025. The fair value of the contingent consideration receivable has been calculated for each of the three disposals noted above based on forecast profitability in calendar year 2024, discounted at 15.5% (Financial Services Division's weighted average cost of capital for an 18-month period).

The future cash flow and discount rate assumptions are key to the calculation, if full year 2024 profitability was to reduce by 10% this would result in a reduction in the receivable of £0.1m, if profitability was to increase, this would result in an increase in the receivable of the same amount. If the discount rate was to increase by 1%, the receivable would decrease by £21k and if the discount rate was to reduce by 1%, this would result in an increase in the receivable of the same amount.

7. Investment in joint venture

	2023 £'000	2022 £'000
At cost		
At 1 January	5,068	2,477
Equity investment in Pivotal Growth	4,681	3,952
Equity accounted loss	(549)	(1,361)
Adjustment for non-controlling interests	159	–
At 31 December	9,359	5,068

Pivotal Growth

A further £4.7m equity investment in Pivotal Growth was made throughout 2023, please refer to note 20 in the Group Financial Statements for further information.

8. Trade and other receivables

	2023 £'000	2022 £'000
Non-current		
Amounts owed by Group undertakings	4,408	18,079
	4,408	18,079
Current		
Group relief receivable	8,203	15,100
Prepayments	923	2,392
Other taxes and social security	264	151
Amounts owed by Group undertakings	1,147	2,733
	10,537	20,376

The expected credit loss relating to intercompany receivables is £7.6m at 31 December 2023 (31 December 2022: £5.7m) 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. Contract assets

	2023 £'000	2022 £'000
Non-current contract asset	329	–
Current contract asset	40	–
	369	–

10. Cash and cash equivalents and bank overdrafts

	2023 £'000	2022 £'000
Cash and cash equivalents	32	–
Cash and cash equivalents (excluding bank overdrafts)	32	–

Cash at bank earns interest at floating rates based on daily bank overnight deposit rates.

	2023 £'000	2022 £'000
Bank overdrafts	16,663	4,826

Bank loans – RCF and overdraft
The Company's bank loan totals £nil (2022: £nil) and the Company's overdraft totals £16.7m (2022: £4.8m).

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

The interest rate applicable to the facility is SONIA plus a margin rate, the margin rate is linked to the leverage ratio of the Group and is reviewed at six-monthly intervals.

The bank loan totalling £nil (2022: £nil) is secured via cross guarantees issued from the following businesses: LSL Property Services plc, Your-move.co.uk Limited, Reeds Rains Limited, e.surv Limited, Lending Solutions Holdings Limited, First Complete Limited, New Daffodil Limited, St Trinity Limited, LSL Corporate Client Services Limited, Advance Mortgage Funding Limited, LSLi Limited, David Frosts Estate Agents Limited, ICIEA Limited, JNP Estate Agents Limited, Vitalhandy Enterprises Limited, Personal Touch Financial Services Limited and Personal Touch Administration Services Limited. The bank loan is considered on a group wide net cash position basis, please see note 35 in the Group financial statements for further detail on Group net cash.

11. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	424	525
Accruals	2,431	1,968
Amounts owed to Group undertakings	46,302	83,043
	49,157	85,536

Amounts owed to Group undertakings are repayable on demand.

12. Financial liabilities

	2023 £'000	2022 £'000
Current		
Contingent liabilities	65	–
IFRS 16 financial liabilities	42	–
	107	–
Non-current		
Contingent liabilities	–	31
IFRS 16 financial liabilities	65	–
	65	31

13. Provision for liabilities

	Provision £'000
Balance at 1 January	–
Transfer from accruals	571
Balance at 31 December	571
Current liabilities	571
Non-current liabilities	–
	571

Claims indemnity provision and contingency

Included in the sale agreement of LMS (a former joint venture of the Company) 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 costs would be £1.4m. In the prior year, the LMS provision was included within accruals but in the current year, this has been reclassed and disclosed within provisions for liabilities.

14. Deferred tax

	2023 £'000	2022 £'000
Deferred tax asset		
Depreciation charged in advance of capital allowances	259	89
Share options	627	930
Losses	2,773	–
Deferred tax asset at 31 December	3,659	1,019

	2023 £'000	2022 £'000
Deferred tax asset at 1 January	1,019	578
Deferred tax credit in profit and loss account for the year	2,747	338
Deferred tax (charge)/credit to other comprehensive income	(107)	103
Deferred tax asset at 31 December	3,659	1,019

A deferred tax asset has been recognised on the basis that the Group is anticipated to make suitable taxable profits in the foreseeable future against which the Company's attributable assets can be utilised. The Group's three-year plan indicates that the Company's losses within the Group through group relief. Management is therefore satisfied that these can be utilised in a future period.

At December 2023, a deferred tax asset is recognised in relation to share-based payments of £3.7m (2022: £1.0m). No deferred tax liability is recognised in respect of equity financial assets.

15. Called-up share capital

	2023		2022	
	Shares	**£'000**	Shares	£'000
Authorised:				
Ordinary shares of 0.2 pence each	500,000,000	1,000	500,000,000	1,000
Issued and fully paid:				
At 1 January	105,158,950	210	105,158,950	210
Issued in the year	–	–	–	–
At 31 December	105,158,950	210	105,158,950	210

16. 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 CSOP) and a number of SAYE schemes for the employees in the Company and the Group. See note 15 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 gain of £0.1m (2022: charge of £1.5m).

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

Shares held by EBT represent the cost of LSL shares purchased in the market and held by the Trust to satisfy future exercise of options under the Group's employee share options schemes. At 31 December 2023 the Trust held 517,949 (2022: 1,063,097) LSL shares at an average cost of £3.86 (2022: £3.72), and the SIP held 991,419 (2022: 1,185,692) LSL shares at an average cost of £0.88 (2022: £0.88). The market value of the LSL shares at 31 December 2023 was £3.9m (2022: £4.1m). The nominal value of each share is 0.2 pence.

Treasury shares

Treasury shares represent the cost of LSL shares purchased in the market as a result of a share buy-back scheme which commenced in April 2022 and ceased in September 2022. At 31 December 2023, LSL had repurchased 1,179,439 (2022: 1,179,439) LSL shares at an average cost of £3.38 (2022: £3.38). The market value of the LSL shares at 31 December 2023 was £3.0m (2022: £4.1m). The nominal value of each share is 0.2 pence.

Fair value reserve

The fair value reserve is used to record the changes in fair value of equity financial assets.

17. 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 £9.8m (2022: loss of £24.4m).

Remuneration paid to Directors of the Company is disclosed in note 15 to the Group Financial Statements.

The Company paid £0.5m (2022: £0.5m) 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 11 to the Group Financial Statements.

18. Pension costs and commitments

Total contributions to the defined contribution schemes in the year were £204,330 (2022: £186,986). The amount outstanding in respect of pensions as at 31 December 2023 was £nil (2022: £nil).

The average monthly number of employees (including Directors) was 117 (2022: 127).

19. 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				
2023	**–**	**–**	**13,760**	**45,787**
2022	–	–	35,866	82,521

	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				
2023	**–**	**–**	**–**	**515**
2022	–	–	46	522

The expected credit loss relating to related parties receivables is £7.6m at 31 December 2023 (31 December 2022: £5.7m) and the related parties receivables are presented net of this provision. The increase in provision of £1.9m (2022: £5.7m) recorded in the Company's income statement was split between £0.3m (2022: £5.7m) in operating expenses and £1.6m (2022: £nil) in exceptional costs.

20. Financial instruments – risk management

The Company's principal financial instruments comprise of cash and cash equivalents with access to a £60m loan facility. The main purpose of these financial instruments is to raise finance for the Company's operations and to fund acquisitions. The Company has various financial assets and liabilities such as trade receivables, cash and short-term deposits and trade payables, which arise directly from its operations.

It is the Company's policy that trading in derivatives shall not be undertaken. The Company may, from time to time and as necessary, enter into interest rate swaps for risk management purposes but did not hold any such swaps during either the current or prior year.

The Company is exposed through its operations to the following financial risks:

- 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 Group's exposure to the risk of changes in market interest rates relates primarily to the use of the Group's RCF facility. The RCF incurs interest on drawings at a variable rate, based on SONIA plus a margin rate and this policy is managed centrally by the Group treasury function. The subsidiaries are not permitted to borrow from external sources directly without approval from the Group treasury function.

The Group has not drawn down on its RCF facility during the year to 31 December 2023 and therefore has incurred no interest.

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 (e.g. 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.

At 31 December 2023, the Group had available £60.0m of undrawn committed borrowing facilities, of which the Group could have drawn £33.0m under the terms of the facility (2022: the Group could have drawn £90.0m of the facility available at 31 December 2023).

20. Financial instruments – risk management (continued)

The Company's bank overdraft and trade and other payables are all repayable on demand (2022: repayable on demand) and the undiscounted cash flows payable under these liabilities are consistent with the amounts presented in the balance sheet (2022: consistent).

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 company.

In the medium to long term, the Company will strive to maintain a reasonable leverage (i.e. balance between debt and equity) to help achieve the Company's business objectives of growth (through acquisitions and organic growth) and dividend policy. In the short term, the Company does not have a set leverage ratio to be achieved but the Directors monitor the ratio of net debt to operating profit to ensure that the debt funding is not excessively high.

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 2023 are as follows:

	Within 1 year £'000	**1-2 years £'000**	**2-3 years £'000**	**3-4 years £'000**	**Total £'000**
Floating rate					
Overdraft	(16,663)	–	–	–	(16,663)

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					
Overdraft	(4,826)	–	–	–	(4,826)

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.

20. Financial instruments – risk management (continued)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

2023	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets and liabilities measured at fair value				
Financial assets	1,640	–	–	1,640
Financial liabilities	172	107	–	65

2022	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	115	–	–	115

The fair value of equity financial assets that are not traded in the open market of £1.6m (2022: £0.1m) are using level 3 techniques in accordance with the fair value hierarchy and Management use all relevant and up to date information (including cash flow forecasts and financial statements) to arrive at their judgement. Where appropriate a range of potential outcomes is considered in reaching a conclusion.

21. Prior year restatements

Adjustments to assets held for sale

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

Balance sheet (extract)

	Reported year ended 31 December 2022 £'000	Adjustment to assets held for sale £'000	Restated year ended 31 December 2022 £'000
Current assets			
Assets held for sale	28,850	(2,035)	26,815
Net assets	**101,804**	**(2,035)**	**99,769**
Equity			
Retained earnings	120,264	(2,035)	118,229
Total equity	**101,804**	**(2,035)**	**99,769**

Income statement (extract)

	Reported year ended 31 December 2022 £'000	Adjustment to assets held for sale £'000	Restated year ended 31 December 2022 £'000
Exceptional costs	(22,431)	(2,035)	(24,466)
Profit/(loss) for the year	**(22,431)**	**(2,035)**	**(24,466)**
Profit/(loss) for the year	(22,431)	(2,035)	(24,466)
Total comprehensive income/(loss) for the period, net of tax	**(22,431)**	**(2,035)**	**(24,466)**

22. Events after the reporting period

On 2 February 2024, the Company acquired the entire issued share capital of TenetLime Limited from Tenet Limited, a subsidiary of Tenet Group Limited ('Tenet Group') for total consideration of up to £11.6m. Please refer to note 34 in the Group Financial Statements for further information.

Other Information

In this section

Definitions

“**Adjusted Basic Earnings per Share**” or “**Adjusted Basic EPS**” is defined at note 12 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.

“**AI**” artificial intelligence.

“**Albany**” Albany Insurance Company (Guernsey) Limited.

“**AR**” appointed representative.

“**AR Regime**” the FCA’s Appointed Representatives Regime.

“**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 12 to the Financial Statements.

“**Board**”**/**“**Board of Directors**” the board of Directors of LSL.

“**BAYE**” Buy As You Earn (also referred to as SIP).

“**BoE**” Bank of England.

“**B2B**” business to business.

“**Committee(s)**” refers to LSL’s Nominations Committee, the Audit & Risk Committee, the Remuneration Committee and the Disclosure Committee.

“**Company**” or “**Parent Company**” refers to LSL Property Services plc.

“**CBI**” Conference 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.

“**CFD**” Climate-related Financial Disclosures Regulations 2022.

“**CFO**” Chief Financial Officer, Adam Castleton.

“**Colleague Forums**” or “**Forums**” our LSL Group Colleague Engagement, Inclusion and Diversity, and Communities forums.

“**COVID-19**” coronavirus.

“**CPO**” Chief People Officer, Debra Gardner.

“**CRO**” chief risk officer.

“**CRWG**” climate-related working group.

“**CSOP**” Company Share Ownership Plan.

“**D2C**” direct to consumer.

“**Data and Information Security Committee**” or “**DISC**” LSL’s Data and Information Security Committee.

“**Davis Tate**” trading name of Davis Tate Ltd.

“**Director**” an Executive Director or Non Executive Director of LSL.

“**Division(s)**” refers to each of our Financial Services, Surveying & Valuation and Estate Agency Franchising divisions.

“**DLPS**” or “**Direct Life and Pension Services**” or “**Direct Life and Pensions**” Direct Life and Pension Services Limited.

"**DPO**" Data Protection Officer.

"**EBITDA**" earnings, before interest, taxes, depreciation and amortisation.

"**Elsevier**" Elsevier Limited.

"**Embrace Financial Services**" Embrace Financial Services Limited.

"**EPS**" Earnings per Share.

"**EPC**" energy performance certificate.

"**Ernst & Young**" Ernst & Young LLP.

"**ESG**" Environmental, Social and Governance.

"**ESOT**" LSL's employee share scheme.

"**ESOT Trustees**" Apex Financial Services (Trust Company) Limited.

"**Estate Agency Division**" or "**Estate Agency**" this refers to LSL's residential sales and lettings businesses. Following the change to a franchise model this Division has become the Estate Agency Franchising Division. It also included LSL's asset management businesses until 31 March 2023.

"**Estate Agency Franchising Division**" this refers to the provision of estate agency franchising services such as brand marketing and commercial and IT support, to a network of territories across the UK.

"**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).

"**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 Services Network**" the PRIMIS Mortgage Network.

"**Financial Statements**" financial statements contained in this Report.

"**FRC**" Financial Reporting Council.

"**FTE**" full-time equivalent.

"**FY**" full year.

"**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.

"**H1 2023**" 1 January 2023 – 30 June 2023.

Definitions continued.

"**H2 2023**" 1 July 2023 – 31 December 2023.

"**Hawes**" or "**Hawes & Co**" trading name of Hawes & Co Limited.

"**HMRC**" His Majesty's Revenue and Customs.

"**Homefast Property Services**" Homefast Property Services Limited.

"**Home Report**" a report which includes a single survey, energy report and property questionnaire and which must accompany all residential property marketing in Scotland.

"**IAS**" International Accounting Standards.

"**IBNR**" Incurred But Not Reported.

"**I&D**" Inclusion and Diversity.

"**IFRS**" International Financial Reporting Standards.

"**Insurance First Brokers**" Insurance First Brokers Ltd.

"**Interim Chair**"or "**Interim Non Executive Chair**" refers to Darrell Evans.

"**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.

"**LGBT+**" lesbian, gay, bisexual and trans.

"**Listing Rules**" FCA Listing Rules.

"**LMS**" LMS Direct Conveyancing Limited and Cybele Solutions Holdings Limited.

"**Linear**" or "**Linear Financial Solutions**" are trading names of Linear Mortgage Network Limited.

"**Living Responsibly Report 2024**" report published on our website setting out our Living Responsibly ESG programme.

"**LSE**" London Stock Exchange.

"**LSLi**" LSLi Limited and its subsidiary companies. During 2023 the estate agency branches owned by the LSLi companies were franchised as part of the conversion of the entire LSL owned estate agency network to franchises, these included JNP, Intercounty, David Frost Estate Agents Limited, Goodfellows, Davis Tate, Lauristons, Hawes & Co and Thomas Morris).

"**LSL**" or "**Group**" or "**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.

"**MCAG**" industry-wide Mortgage Climate Action Group.

"**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.

"**Non Executive Director**" refers to Gaby Appleton, Darrell Evans, Simon Embley, and Sonya Ghobrial and James Mack.

"**Notice of Meeting**" the circular made available to shareholders setting out details of the AGM.

"**Deutsche Numis**" Numis Securities Limited.

"**OCI**" refers to other comprehensive income.

"**P&L**" profit and loss statement.

"**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**" or "**PRIMIS Mortgage Network**" 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.

"**Real Living Wage**" a UK wage rate based on the cost of living.

"**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 2023.

"**RICS**" Royal Institution of Chartered Surveyors.

"**RIDDOR**" Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

"**Road to Health**" RoadtoHealth Group Ltd.

"**RSC New Homes**" or "**RSC**" RSC New Homes Limited.

"**SAYE**" Save As You Earn.

"**SECR**" Streamlined Energy and Carbon Reporting.

"**Senior Management Team**" or "**Senior Managers**" refers to our Executive Committee and their direct reports who are A1 and A2 grades (excluding the Executive Directors).

"**SID**" Senior Independent Director. During 2023 Gaby Appleton was the SID. James Mack took on the role of SID with effect from 5 March 2024.

"**SIP**" Share Incentive Plan (also referred to as BAYE).

"**SteerCo**" Living Responsibly Steering Committee.

"**Surveying & Valuation**" refers to e.surv Limited (including where it trades as Walker Fraser Steele) and asset management businesses with effect from 1 April 2023.

"**Templeton**" trading name of Templeton LPA Limited.

Definitions continued.

"**TenetLime**" TenetLime 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.

"**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.

"**Var**" variance.

"**VEM**" or "**Vibrant Energy Matters**" Vibrant Energy Matters Limited.

"**Walker Fraser Steele**" a trading name of e.surv Limited.

"**YOPA**" YOPA Property Limited.

"**Your Move**" trading name of your-move.co.uk Limited.

"**Zeus**" Zeus Capital Limited.

Shareholder Information (including forward-looking statements information)

Company details
LSL Property Services plc
Registered in England (company number 5114014)
LEI number 213800T4VM5VR3C7S706

Registered office
Newcastle House, Albany Court, Newcastle Business Park, Newcastle upon Tyne, NE4 7YB
Telephone: 0191 233 4600
Email: investorrelations@lslps.co.uk
Website: lslps.co.uk

Company Secretary's office
Howard House, 3 St Marys Court, Blossom Street, York, YO24 1AH
Email: investorrelations@lslps.co.uk

Share listing
LSL Property Services plc 0.2 pence ordinary shares are listed on the London Stock Exchange under ISIN GB00BIG5HX72

Registrar
Link Group, 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	25 April 2024
AGM proxy form deadline	18 June 2024 at 10am
AGM	20 June 2024 at 10am

The Notice of Meeting convening the AGM will be issued as a separate circulate to shareholders and will confirm the location for the meeting, and detail the proposed resolutions.

In accordance with our articles of association, we publish shareholder information, including notice of AGMs and the Annual Report and Accounts on our website, lslps.co.uk. Reducing the number of communications sent by post not only results in cost savings to us, it also reduces the impact that unnecessary printing and distribution of reports has on the environment.

Our articles of association enable all communications between us and our shareholders to be made in electronic form (as permitted by the Companies Act 2006). Documents will be supplied via our website to shareholders who have not requested a hard copy or provided an email address to which documents of information may be sent. Where a shareholder has consented to receive information via the website, a letter will be sent to the shareholder on release of any information directing them to the website (lslps.co.uk).

If a shareholder wishes to continue to receive hard copy documents, they should contact Link Group (details above).

Forward-looking statements
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 29 to 33.

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
lslps.co.uk

Registered in England

(Company number 5114014)
Registered office:
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Albany Court
Newcastle Business Park
Newcastle upon Tyne
NE4 7YB
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