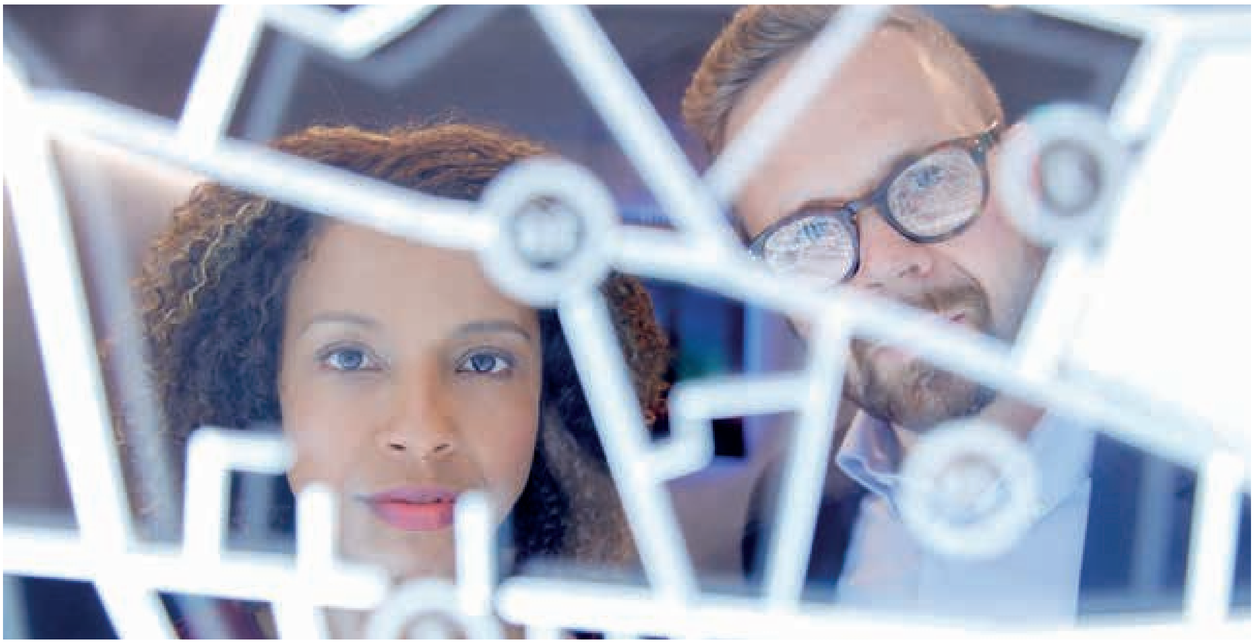
LSL

Annual Report and Accounts 2020



LSL Property Services plc

LSL Property Services plc
Annual Report and Accounts 2020

Contents

Directors' Report and Business Review

LSL is one of the largest providers of services to mortgage intermediaries and specialist mortgage and protection advice to estate agency and new build customers and valuation services to the UK's biggest mortgage lenders. It also operates a network of 226 owned and 130 franchised estate agency branches. For further information please visit LSL's 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 212.

Financial Highlights 2020

Resilient financial performance, increasing contribution from Financial Services and strong balance sheet

Group Revenue

£266.7m

(2019: £311.1m)

Profit Before Tax

£20.9m

(2019: £16.0m)

Group Underlying Operating Profit

£41.5m

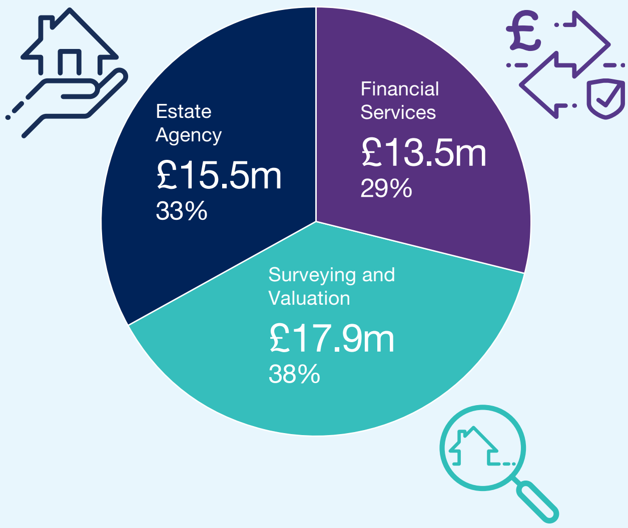
(2019: £37.0m)

Net Bank Debt

£1.6m

(2019: £41.9m)

Divisional Underlying Operating Profit
Before Central Costs



	2020 £m	2019 £m	% change
Group Revenue	**266.7**	311.1	-14
Group Underlying Operating Profit – pre COVID-19 costs[1]	**41.5**	37.0	+12
Operating Margin – pre COVID-19 costs (%)	**15.6**	11.9	+370 bps
Group Underlying Operating Profit – post COVID-19 costs[1]	**35.2**	37.0	-5
Operating Margin – post COVID-19 costs (%)	**13.2**	11.9	+130 bps
Exceptional gains	**0.7**	2.5	-72
Exceptional costs	**(7.1)**	(15.7)	-55
Group Operating Profit	**23.9**	19.7	+21
Profit before tax	**20.9**	16.0	+31
Basic Earnings Per Share[2] (pence)	**15.9**	12.6	+26
Adjusted Basic Earnings Per Share[2] (pence)	**31.9**	28.0	+14
Net Bank Debt[3] at 31 December	**1.6**	41.9	nm
Gearing ratio[4] at 31 December (times)	**0.03**	0.81	nm
Final proposed Dividend[5] (pence)	**nil**	–	nm
Full year Dividend[5] (pence)	**nil**	4.0	nm

nm: not meaningful

Notes:
All figures quoted are for year ended 31 December 2020 unless otherwise stated.
[1] Group Underlying Operating Profit is before exceptional costs, contingent consideration, amortisation of intangible assets, share-based payments and includes £15.7m of amounts receivable through the Coronavirus Job Retention Scheme (as set out in Note 5 to the Group Financial Statements). Segment Underlying Operating Profit is stated on the same basis as Group Underlying Operating profit
[2] Refer to Note 11 to the Group Financial Statements for the calculation
[3] Refer to Note 33 to the Group Financial Statements
[4] Gearing ratio is defined as Net Bank Debt divided by Group Adjusted EBITDA (refer to Note 5 to the Group Financial Statements)
[5] Refer to Note 12 to the Group Financial Statements

About LSL and its Markets

LSL is one of the largest providers of services to mortgage intermediaries, specialist mortgage and protection advice to estate agency and new build customers and valuation services to the UK's biggest mortgage lenders.

It also operates a network of 226 owned and 130 franchised estate agency branches.

Information included in this section of the Report is correct as at 31 December 2020.

Financial Services Division

22.9%

of Group Revenue in 2020 (2019: 22.4%)

LSL's Financial Services businesses provide services relating to the arrangement of mortgages and non-investment insurance products, across several different market sectors. Technology is at the heart of LSL's financial services proposition, through its award-winning[1] 'Toolbox' and innovative Mortgage Gym technology.

Intermediary

PRIMIS MORTGAGE NETWORK

PRIMIS[2] mortgage network is one of the largest UK mortgage networks with 930[3] affiliated firms and nearly 2,600 advisers. Its exclusive and bespoke Toolbox software provides appointed representatives with an award-winning, end-to-end customer service platform.

T M A mortgageclub

The Mortgage Alliance[4] distributes mortgages and financial services products to mortgage intermediaries who are directly authorised and regulated by the FCA.

New Build Home

mortgages first

RSC

Mortgages First and **RSC New Homes** are both appointed representatives of PRIMIS (First Complete) and specialise in arranging mortgages and non-investment insurance products for customers financing the purchase of new build properties.

insurance first

Insurance First is an appointed representative of PRIMIS (First Complete). It specialises in arranging non-investment insurance products for customers purchasing new build properties.

Direct to Consumer

efs embrace FINANCIAL SERVICES

Embrace Financial Services is an appointed representative of PRIMIS (First Complete). Its employed and self-employed financial consultants specialise in the delivery of mortgage and protection advice to estate agencies including the Group's franchised and owned estate agency branches.

Linear Financial Solutions

Linear Financial Solutions is an appointed representative of PRIMIS (Advance Mortgage Funding). It provides financial consultants, who are based in the branches of independent estate agents.

Insurance Specialists

first 2 protect

First2Protect is a specialist business arranging household insurance for customers of LSL's Estate Agency Division and third party introducers.

Surveying and Valuation Services Division

28.9%

of Group Revenue in 2020 (2019: 27.8%)

e.surv Chartered Surveyors

e.surv Chartered Surveyors has been trading since 1989 and is one of the UK's largest providers of surveying and valuation services[5]. It is the UK's biggest employer of Royal Institution of Chartered Surveyors (RICS) registered surveyors[6], with a network of more than 600. It uses industry-leading technology to provide a range of products and services to a customer base that includes lenders, intermediaries, social housing entities, estate agents and consumers. It is also a leading supplier in the growing later-life lending market.

Walker Fraser Steele Chartered Surveyors

Walker Fraser Steele is one of the longest established Chartered Surveyor brands in Scotland. It was founded in Glasgow in 1884 and became part of e.surv in 2013, enabling e.surv to cater for the unique requirements of the Scottish market. The business now provides surveying and valuation services from locations across Scotland for both local and national clients, including the Home Report, an essential component of the Scottish home buying process.

Estate Agency Division

48.2%

of Group Revenue in 2020 (2019: 49.8%)

The Estate Agency Division generates the majority of its revenue from Residential Sales and Lettings, which provided 40.3% of Group Revenue in 2020 (2019: 40.2%). Residential Sales accounted for 18.3% (2019: 18.6%) and Lettings 22.0% (2019: 21.6%) of total Group Revenue. Its other revenues derive from:

- commercially agreed commission payments from the Financial Services Division: 3.7% of Group Revenue (2019: 4.4%);
- Asset Management: 1.4% of Group Revenue (2019: 1.7%); and
- other income, including franchising income, conveyancing support services, EPCs, Home Reports, utilities and other products and services to clients of the Estate Agency branch networks: 2.8% of Group Revenue (2019: 3.5%).

Residential Sales and Lettings

LSL owns one of the largest combined estate agency networks in the UK[7]. It has strong and established high street estate agency brands, including both franchised and owned branches.

Franchised Estate Agencies

YOUR MOVE
Reeds Rains

There are 130 franchised branches owned by 59 different independent franchisees, mainly concentrated in the **Your Move** and **Reeds Rains** brands and located across the UK. Most of these branches offer both residential sales and lettings services.

Owned Estate Agencies

YOUR MOVE
Reeds Rains

All of LSL's owned branches offer residential sales and lettings services. There are 89 owned **Your Move** branches nationally and 56 owned **Reeds Rains** branches, concentrated mainly in the north of England.

Owned Estate Agencies

MARSH & PARSONS

Marsh & Parsons operates from 30 branches and is a leading London premium brand estate agency, which brings coverage to prime Central London and prime Outer London.

LSLi

LSLi has a combined network of 51 owned branches in the south east of England and is made up of nine Estate Agency companies owned by the holding company LSLi.

All of LSL's Residential Sales and Lettings businesses are members of The Property Ombudsman Scheme (TPOS), which operates a residential sales and lettings code of practice approved by the Trading Standards Institute (TSI) under its Consumer Codes Approval Scheme (CCAS).

Land and New Homes Specialist

LSL Land & New Homes

LSL Land & New Homes provides a complete range of specialist services for housebuilders, developers and investors of all sizes.

Specialist Property Services

homefast

Homefast provides conveyancing panel management and support services to LSL's Residential Sales and Lettings branches and customers.

Asset Management

LSL Corporate Client Department
St TRINITY Asset Management
Templeton LPA ALWAYS ACTING FAIRLY CHARTERED SURVEYORS

LSL's asset management companies are market leaders in managing the sale of residential properties on behalf of corporate clients and property investors. LSL's three asset management companies are: **LSL Corporate Client Department**, which provides repossessions asset management services and property management services to multi-property landlords; **St Trinity Asset Management**, which specialises in repossession property sales; and **Templeton LPA**, which is a Law of Property Act fixed charge receiver.

LSL's Markets in 2020

As a provider of residential property services, the level of mortgage transactions and activity in the housing market are important drivers of demand for LSL's services

The mortgage market in 2020

The proportion of mortgage lending placed through intermediaries increased to 76% in 2020 (2019: 74%)[8].

Total gross mortgage lending[9] in 2020 was 9% lower than in the prior year at £243bn (2019: £268bn). Total mortgage approvals[10] for house purchases were down 10% to 1,389,000 in 2020, with H1 down 34%, recovering to 37% up in H2 2020 and with Q4 2020 reflecting a level of demand not experienced since 2007. Remortgage[10] activity was 23% down on 2019, although activity in the product transfer market, where consumers switch deals within their existing lender, was strong.

The housing market in 2020

The UK residential property market was significantly impacted by the COVID-19 pandemic and the national lockdown from 23 March to 13 May 2020. UK housing transactions[11] were down 25% in H1 2020, before recovering significantly to be 1% up year-on-year in H2 2020. For the full year, transactions were down 11% at 1,047,000 (2019: 1,177,000).

At the end of June 2020, average house prices[12] in England and Wales were relatively flat year-on-year but they grew in H2 2020 to £327,000, which was 7.8% higher than the same period last year. This reflected the built up demand created by the lockdown in March to May 2020 and the announcement by the UK Government that the lower stamp duty threshold would be increased to £500,000 until March 2021. Excluding London and the South East, the rest of England and Wales showed annual house price growth[12] of 8.9%.

In March 2020, the FCA published guidance which stated that lenders should not seek to enforce repossessions before 1 April 2021 because of the pandemic. As a result, from 19 March 2020 (except in exceptional circumstances), activity in the repossessions market declined significantly from an already historically low level. In total, repossessions[13] declined by 67% during 2020 to just 2,660 (2019: 8,000).

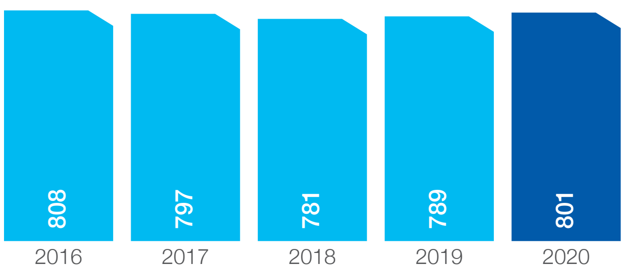
Market transaction data

In 2020, total mortgage approvals decreased by 10% to 1,389,000 (2019: 1,549,000)[13]

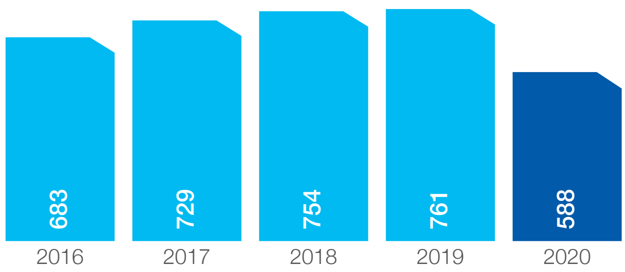
Overall house purchase approvals increased by 2% to 801,000 (2019: 789,000)[13]

Remortgage (and other) volumes of 588,000 were down by 23% compared to 2019 (2019: 760,000)[13]

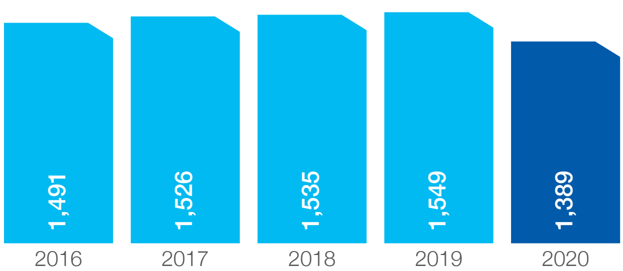
Total mortgage approvals for house purchase[12]
'000s



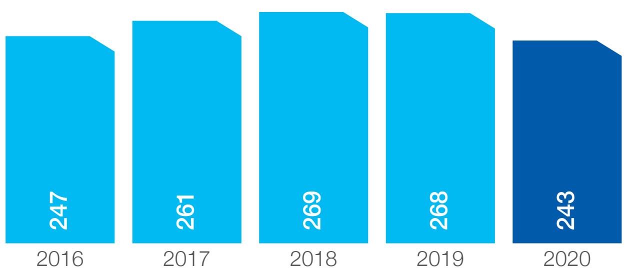
Remortgage (and other) volumes[13]
'000s



Total mortgage approvals[13]
'000s



Total gross mortgage lending[10]
£bn



LSL's Market Positions in 2020

Financial Services

In 2020, LSL further strengthened its position as a leading distributor of mortgage and non-investment insurance products. Its mortgage completions were up 3% to £32.6bn in 2020 (2019: £31.7bn) with market share estimated at 9.1%[14] (2019: 8.6%) of the total market value of the total purchase and remortgage market. PRIMIS was named 'Mortgage Network of the Year' by both Moneyfacts and Mortgage Introducer. The number of financial advisers continued to grow and, at 31 December 2020, was at 2,585 advisers (2019: 2,392). The number of appointed representative firms increased to 930 (2019: 878).

Surveying and Valuation Services

The Surveying and Valuation Division remained a leading player in the market in 2020, maintaining strong relationships with seven of the UK's top ten[15] lenders and 14 of the top 20. During 2020, LSL was awarded an extension to its contract to supply UK residential survey and valuation services to a major high street bank. In 2020, it was independently recognised as the UK's Best Surveyor/Valuer by trade title, Mortgage Strategy.

Estate Agency

LSL has market-leading positions in its core Estate Agency business. LSL's owned and franchised Estate Agency branches have a combined market share of 2.5%[16] of the residential sales and lettings market. The Group believes that traditional estate agents will represent the substantial majority of the residential sales and lettings markets for the foreseeable future and that LSL's Estate Agency branches will remain core to providing the service customers expect. LSL's Asset Management arm and specialism in new homes and land sales provide diversification in different economic scenarios and across different markets. Estate Agency also continued to support the Financial Services businesses, especially through introducing customers to Embrace Financial Services.

Notes:

[1] Source: 'Best Technology Initiative' award in 2019 at The London Institute of Banking & Finance 'Financial Innovation Awards 2019'
[2] PRIMIS is a trading style of the First Complete, Advance Mortgage Funding and Personal Touch Financial Services networks which are all authorised and regulated by the FCA
[3] Source: Toolbox 31 December 2020
[4] The Mortgage Alliance is a trading style of the First Complete and Advance Mortgage Funding networks
[5] Source: LSL's own calculations and assessment using publicly available data at 31 December 2020
[6] Source: LSL's own calculations and assessment using publicly available data at 31 December 2020
[7] Source: LSL's own calculations and assessment of branch numbers using publicly available data at 31 December 2020
[8] Source: UK Finance 'New residential lending sold direct and via intermediaries' at 31 December 2020
[9] Source: UK Finance 'New mortgages by purpose of loan' at 31 December 2020
[10] Source: Bank of England for House Purchase Approvals and Total Mortgage Approvals at 31 December 2020
[11] Source: HMRC 'Monthly property transactions completed in the UK with value of £40,000 or above' at 31 December 2020
[12] Source: e.surv/ACADATA HPI at 31 December 2020
[13] Source: UK Finance 'Possessions on mortgaged properties' at 31 December 2020
[14] Source: UK Finance, Gross Lending Value (2020) at 31 December 2020
[15] Source: UK Finance, Top Ten Lenders by Gross Lending Volume (2020) at 31 December 2020
[16] Source: Rightmove Data Services 2020 at 31 December 2020

Chairman's Statement

I am pleased to report that the Group performed strongly throughout 2020, demonstrating the resilience of its increasingly diversified business model, and remains very well placed to take advantage of current improved trading conditions and significant opportunities and particularly in our growing Financial Services Division.

The onset of the COVID-19 virus, which led to the first national lockdown in March 2020, presented a test for both our business model and our operational resilience, and it is one that LSL passed with flying colours.

The Board reacted decisively to the emergence of the COVID-19 virus, taking steps to preserve cash and safeguard the health and safety of colleagues and customers. Regretfully, this included the decisions to cancel the final dividend for 2019 and to pay no dividends in 2020. However, the onset of COVID-19 introduced significant and unknown short and long term macroeconomic risks, requiring the Board to focus on cash management to safeguard the Group's long term future. In addition to the cancellation of the dividend, annual salary rises were also cancelled, whilst no executive director bonuses will be paid, notwithstanding the excellent financial performance.

I have no doubt these were the right decisions to take given the extensive economic support provided by the taxpayer.

This period demonstrated many of the Group's strengths; we quickly and effectively moved many of our activities to remote working and were able to safeguard significant revenue streams. Over recent years, we have taken steps to reduce the Group's exposure to housing market cycles, and the benefits of this work, together with our consistently prudent approach to financial gearing, were seen in the robust performance of our Financial Services Division throughout lockdown, as well as in the ongoing income from Lettings.

As a result of these steps, we were able in May 2020 to confirm that the Group had sufficient liquidity in place to meet its needs throughout highly stressed conditions persisting for the whole year.

On 1 May, David Stewart was appointed Group Chief Executive, having served as a Non Executive Director since 2015. I was personally delighted that David agreed to accept this role, having seen his contribution as a Non Executive Director over a five year period and been aware of his strong reputation for successfully piloting Coventry Building Society throughout the global financial crisis. I believe David's experience meant that he was ideally placed both to navigate the challenges that result from extraordinary market conditions and to take forward a far-reaching and ambitious strategic refresh.

David's first tasks were to prepare the Group for a successful exit from the lockdown, and to initiate a full strategic review to deliver long term value to LSL Shareholders.

During May 2020, restrictions on our activity were substantially eased and once again LSL responded quickly and decisively to return our people to work whilst complying fully with health and safety guidance. The effectiveness of our response can be seen in the excellent performance delivered by each of our three trading Divisions. Further information is included later in this statement, but the fact that we can report full year Underlying Operating Profit (before certain COVID-19 related costs) of £41.5m, £4.5m ahead of 2019, is testament to the excellent response of management and staff alike. After including COVID-19 costs of £6.3m, Underlying Operating Profit was within 5% of the prior year.

Towards the end of 2020, the Board approved the recommendations which followed a full strategic review led by the Group Chief Executive and detailed information is set out on pages 12 and 13 in this statement. We identified exciting opportunities for organic and inorganic growth across the Group, particularly in Financial Services where we have established leading positions in several key markets. Good progress has been made in the early stages of execution, notably the announcement of important partnerships with Pollen Street Capital to establish and operate a major 'buy-and-build' mortgage broker, and with The Property Franchise Group, where we are the preferred long term provider of digital and face-to-face mortgage and protection advice. We were also delighted to announce the strategically important technology acquisitions of Mortgage Gym and Direct Life and Pension Services.

Corporate Governance and Board

During 2020, the Board remained committed to high levels of corporate governance and a number of changes to the Board and its Committees were made following on from Ian Crabb's departure in May 2020. Further changes are also taking effect on 28 April 2021 which are detailed below.

On 1 May 2020 we appointed David Stewart as Group Chief Executive Officer. David, an Independent Non Executive Director chaired the Audit & Risk Committee. On his appointment as an Executive Director, Bill Shannon replaced David as Chair of the Audit & Risk Committee and I took over as Chair of the Nominations Committee. Bill continued as Chair of the Remuneration Committee and, with effect from 28 April 2021, Darrell Evans will be Chair of the Remuneration Committee.

£266.7m

Group Revenue
(2019: £311.1m)

£20.9m

Profit before tax
(2019: £16.0m)

£41.5m

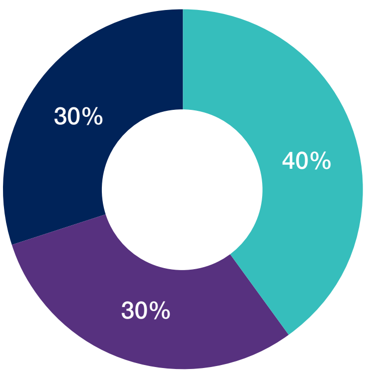
Group Underlying Operating Profit (pre COVID-19 costs)
(2019: £37.0m)

£1.6m

Net Bank Debt
(2019: £41.9m)

Full year 2020 Group Underlying Operating Profit (pre COVID-19 costs)

£41.5m



- Estate Agency
- Financial Services
- Surveying

Following the announcement on 23 April 2021 that, with effect from 28 April 2021, Bill will take over the role of Chair and that I will continue as a Non Executive Director of LSL, we have made some further changes to our Committees, which are detailed below. Bill as Deputy Chair and the Senior Independent Director is well placed to provide leadership to the Board and I wish him well in his new role.

With effect from 28 April 2021, Bill will be the Chair of the Nominations Committee and he will continue as Chair of the Audit & Risk Committee with the intention that a new Chair of this Committee will be appointed during 2021. We will also appoint a new Senior Independent Director. We have commenced a search to appoint two additional independent Non Executive Directors to support the Board in the delivery of the LSL strategy.

In our search for additional directors, we are taking steps to ensure appropriate succession planning and to promote diversity on our Board. During 2020 the Board and the Nominations Committee has considered succession planning and the Board's diversity and further details relating to the steps that we are taking in relation to these issues can be found in the *Corporate Governance Report* in this Report.

During 2020 Darrell Evans was LSL's designated workforce engagement director and he is continuing in this role. Darrell has continued to work closely with the Group HR Director and regularly participates in LSL's employee engagement arrangements. Further details are included within the *Stakeholder Engagement Arrangements and Corporate Governance Report* sections of this Report.

In relation to 2020, as LSL's Non Executive Chair, I have been responsible for leadership of the Board, and together with my fellow Directors, I have reviewed the effectiveness of the Board and its Committees and this has included consideration of its composition and its diversity.

Through our planning we have ensured that the Board's composition includes a range of skills and experiences to support the Group's diverse business model and to respond to the challenges and opportunities that LSL faces. Further details on the current Directors can be found within *The Board* section of this Report and within the *AGM Notice*.

Details of our corporate governance arrangements and the recommendations arising from the 2020 evaluation exercise are contained within the *Corporate Governance Report* section of this Report together with details of how we have implemented recommendations, which arose from the 2019 evaluation exercise.

The Board is responsible for establishing LSL's purpose, values and strategy and satisfying itself that these are aligned with the Group's culture. During 2020, as we developed the Group's strategy, we also reviewed and updated our *Purpose Statement* which is in the *Corporate Governance Report* in this Report.

Dividend

In an extraordinary year in which the Government provided significant support, the Board determined it was inappropriate to declare a dividend for 2020.

The Board understands the importance of dividends to many Shareholders and I am pleased to confirm that the dividend policy has been reinstated and rebased, with an expected payout of 30% of Underlying Operating Profit after finance charges and normalised taxation. This fixed payout is at the lower end of the previous range, to provide increased balance sheet flexibility for funding inorganic growth opportunities for the benefit of investors.

Looking forward

The experience of 2020 highlighted the Group's many strengths and the new financial year has started well, with each of our Divisions trading strongly. Whilst the full effects of the COVID-19 virus on overall economic activity cannot be forecast with certainty, we are increasingly confident that LSL will continue to perform well. Furthermore, we have developed a bold strategy with growth in financial services at its heart, and I am excited by its potential to grow the Group.

Overall, the performance in 2020 was outstanding and this could not have been achieved without the exceptional contribution of all our staff and I would like to thank them for their efforts. LSL has many opportunities to grow and a strong management team to lead it through its next phase of development and we face the future with energy and confidence.

Simon Embley
Chairman
27 April 2021

Group Chief Executive's Review

In an exceptional year dominated by the unprecedented impact of the COVID-19 virus, I am pleased to report that LSL's performance was highly resilient, reporting Underlying Operating Profit (pre COVID-19 costs) of £41.5m (2019: £37.0m).

This performance provided the solid foundation on which we could build for the future and I am excited with the progress we made in developing a clear and compelling vision for the LSL Group, including our plans to leverage our existing leading positions in the mortgage and protection advice markets. The recent announcements of the acquisitions of Mortgage Gym and Direct Life and Pension Services and our strategic partnerships with Pollen Street Capital and The Property Franchise Group underline the significant potential of our Financial Services businesses.

Response to COVID-19 and General Election

The start of the year saw strong trading as the decisive December 2019 general election result brought stability to the housing market and wider economy following an extended period of uncertainty in the wake of the Brexit referendum and subsequent political instability. Each of our trading Divisions performed well, reporting results in both January and February ahead of the corresponding period in 2019.

During this period, the Board confirmed reports that it was considering the advantages to Shareholders of a possible combination with Countrywide plc, although discussions remained at an early stage.

By February, the significance of earlier reports of the COVID-19 outbreak in China started to become more evident and the Board responded quickly to this information. We suspended consideration of any merger with Countrywide plc, before announcing that the full year dividend for 2019 would be suspended until the position became clearer, in doing so becoming one of the first companies to take this step. The delivery of long term value to Shareholders remains our highest priority, so this was not an easy decision to take. However, as we entered a period of great uncertainty, it was an essential measure to preserve the Group's strong cash position, and one that subsequent events were to justify quickly.

This decisive approach was demonstrated further in the lead-up to the March 2020 lockdown. The Board prepared detailed contingency plans, with our overriding priority throughout being the health and safety of colleagues and customers alike.

In terms of our business, we recognised immediately that cash conservation would be essential to maintaining the future strength of LSL and a series of further measures were introduced to this end, including the scrapping of salary rises otherwise due to take effect in April, and the deferral of all other non-essential cash expenditure. The Board also recognised that it would be inappropriate to declare any dividends for 2020. Further information is included in the *Business and Finance Reviews* in this Report. The success of these steps, combined with the Group's historically prudent approach to debt as well as the assistance afforded by the Coronavirus Job Retention Scheme, meant that on 5 June 2020, we were able to confirm that after undertaking stress testing which assumed significant stress throughout 2020, the Group would retain sufficient liquidity throughout the year.

Development of Business Model

This period also saw us demonstrate further our agility and the increasing diversification of our business model, which over successive years has seen a reduced reliance on housing market cycles. Staff right across the business found effective ways of working remotely, whether through the provision of mortgage advice via video link, or valuations on properties where the use of data negated the need for a full physical inspection to verify a minimum value. In Estate Agency, tenants tended to stay in their property resulting in high levels of recurring Lettings income.

This speed of response was similarly evident when the Government eased lockdown restrictions, and we moved quickly to meet pent-up demand and increased levels of new business as our mortgage and protection advice, valuations, and estate agency businesses all saw high levels of demand. The reasons for this are varied and some parts of the Group were undoubtedly boosted by the introduction of the stamp duty holiday for properties valued up to £500,000. Colleagues worked exceptionally hard to take maximum advantage of these conditions for the benefit of our Shareholders, helping to deliver very strong performance for the second half of the year, with H1 Underlying Operating Profit (pre COVID-19 costs) 17% ahead of 2019.

Environment, Social and Governance

Before turning to the future, I would like to comment on the importance the Board places on our Environmental, Social and Governance (ESG) framework, a comprehensive review of which will be set out in this Report. I would particularly like to highlight the launch of our Inclusivity and Diversity and Community Forums, which both form part of our overall Staff Engagement Programme. Our Inclusivity and Diversity Forum aims to ensure LSL provides a supportive working environment for existing and prospective colleagues, and to ensure that all members of staff have the same opportunity to take their career forward. The Community Forum has been established to help maximise the impact we make in our local communities. Each group is led by a colleague who will work with other colleagues across the business to make a real difference in these important areas. Helen Buck (Executive Director – Estate Agency) is supporting the Inclusivity and Diversity Chair and Sapna B FitzGerald (Company Secretary and General Counsel) the Community Forum Chair.

In addition, as part of our ESG strategy we have formally adopted a new Environmental Policy which codifies our commitment to reducing our impact on the environment through the continued development and improvement of our environmental performance. This statement is backed with the introduction of clear and objective targets against which we will report our performance.

Andy Deeks (Chief Strategy Officer) has senior executive responsibility for the ESG programme as a whole supported by a dedicated senior manager.

Looking Ahead

Our financial performance during 2020 highlighted the resilience and strength of our Group. The work we have been able to complete on our strategy emphasises our exciting future, with opportunities in Financial Services core to our growth plans. We have recently welcomed staff from Direct Life and Pension Services and Mortgage Gym to the Group, businesses that will enhance our capability in the protection and mortgage markets and increase the productivity of our advisers. On 23 April 2021, we announced a joint venture with Pollen Street Capital to 'buy-and-build' a major UK mortgage broking business, whilst on 27 April we announced that we have been selected by The Property Franchise Group as the preferred provider of mortgage and protection advice to over 430 physical office locations.

This progress could not have been made without the hard work and commitment of all our colleagues, and their effort and support throughout the year has been exceptional. I would like to thank them on behalf of the entire Board. I would also like to express my appreciation for the support the Board has given to myself and the rest of the executive team, which has been invaluable in helping us to navigate what at times have been challenging conditions. I am confident that LSL has an exciting future ahead.

Current Trading, Outlook, Recommencing Guidance and Reinstatement of Dividend Policy

April's trading built further on the very strong performance over the first quarter and remains ahead of previous internal expectations.

Activity in the property market has been elevated since the end of the first national lockdown in May 2020, and this activity continues to be supported by favourable conditions in the mortgage market, the extension of the stamp duty holiday until the end of June and the nil rate band being doubled until the end of September. Mortgage availability has continued to improve, including increased provision of higher loan-to-value mortgage products by mainstream lenders. Furthermore, mortgage rates remain low by historic standards, increasing the confidence of prospective house purchasers and providing remortgage opportunities for brokers. The latest market expectations for mortgage lending in 2021 indicate an increase of around 6% over 2019 to around £283bn[1]. Residential property market transactions are particularly difficult to predict, even more so in the current environment, however given recent trends, it is expected that activity levels in the residential sales market will remain robust.

These conditions are favourable for each of the Group's principal businesses. However, the Group's increasingly diversified revenue streams, and in particular the significant growth opportunities identified and on which management has started to execute, mean the Group is not dependent on housing market activity levels to drive medium term growth.

The Board is reassured by the resilience of the Group's businesses and, encouraged by continued strong trading in April, is recommencing guidance, which has been suspended since the emergence of COVID-19, with an improved growth profile with Financial Services at the forefront, and is resetting LSL's dividend policy to provide flexibility to take advantage of inorganic opportunities.

The LSL Board has reviewed the latest management forecasts. With 2019 as a normalised base year, given the strong Q1 trading and financials, we believe that the Group should deliver 2021 Group Underlying Operating Profit significantly ahead of 2019, with further growth expected in subsequent years.

In 2021, full year Group revenue is expected to be around 10% ahead of 2019, with Group Underlying Operating margin increasing by around 250bps compared to 2019 and strong profit growth delivered from each Division, resulting in Group Underlying Operating Profit expected to be significantly ahead of 2019. This includes initial investment expenditure related to the recently announced strategic financial services partnerships with Pollen Street Capital and The Property Franchise Group, which will drive further growth in the medium term. LSL is highly cash generative, and expects to end 2021 with very minimal debt, providing balance sheet flexibility to take advantage of investment opportunities.

LSL expects to drive further attractive growth as the benefits of its financial services led strategy deliver an increasing proportion of Group profits. By 2023, for the first time, the Financial Services Division is expected to be the largest profit contributor to the Group.

In light of the uncertainty resulting from the emergence of the COVID-19 virus, and the subsequent significant Government support provided across the economy, the Board determined it was inappropriate to pay dividends. The final dividend for 2019 previously announced was cancelled, and the Group has not declared either an interim or final dividend for 2020. This amounts to a total of £20.5m in payments not made when compared to the Board's previous dividend policy.

The LSL Board is confident of the growth prospects for the Group and recognises that the payment of a dividend is important for many of its existing and prospective Shareholders. LSL confirms that it intends to reinstate dividends, with dividend payments expected to recommence in the second half of 2021 following the release of the interim results. The Board has considered its dividend policy and alternative uses of capital for the benefit of Shareholders and believes that an expected annual payout of 30% of Underlying Operating Profit after finance and normalised tax charges is appropriate, with broadly a 1:2 ratio between interim and final dividend. This will maintain dividend cover at roughly three times earnings over the business cycle. The Board will review capital allocation regularly to ensure LSL maintains an efficient balance sheet.

David Stewart
Group Chief Executive Officer
27 April 2021

Strategic Report

In this section

Strategy Review

About LSL

LSL is one of the largest providers of services to mortgage intermediaries, specialist mortgage and protection advice to estate agency and new build customers and valuation services to the UK's biggest mortgage lenders.

It also operates a network of 226 owned and 130 franchised estate agency branches.

LSL's strategy

Financial Services is at the heart of LSL's strategy. The Group will continue to grow its Surveying and Valuation and Estate Agency Divisions and implement a new target operating model, including a specific focus on leveraging their capabilities to grow the Financial Services Division.

LSL already operates some of the most successful financial services businesses in the UK. Through its intermediary networks and club, it provided services in relation to £32.6bn of mortgage completions in 2020, equating to just over 9% of the total purchase and remortgage markets. LSL is also a specialist in providing mortgage and protection advice to estate agency customers and owns two of the UK's largest new homes mortgage advice businesses, and a number of award-winning technologies in Toolbox, Mortgage Gym, and Direct Life and Pension Services.

LSL aims to:

- Remain the leading mortgage network and club in the UK, further growing market share.
- Become a major player in distribution via estate agencies, as demonstrated by its new long term partnership with The Property Franchise Group.
- Buy and build a major national mortgage broker by executing a 'buy-and-build' strategy through the Pivotal Growth joint venture.
- Significantly increase revenues in all channels by optimising existing products and services and introducing new ones, including protection, general insurance, conveyancing and surveys.

LSL believes that the Financial Services market will remain extremely attractive, due to:

- Continued significant customer demand for mortgage, protection and insurance advice through intermediaries.
- Resilient performance through different housing market cycles – remortgages and product transfers are a larger combined market than house purchases and, additionally, the market for protection and insurance products is not correlated with housing transactions.
- Ability to unlock value within the Group's existing distribution and customer base.
- Opportunity to grow new distribution through strategic partnerships.

In Surveying and Valuation, more than 500 operational surveyors carried out 487,000 valuations in 2020, serving seven of the UK's top ten lenders, including all of Lloyds Banking Group's mortgage lending. In this Division, LSL aims to:

- Grow profitable market share in B2B, including leveraging its detailed market knowledge, data and expertise to offer high value insight in specialist areas, such as cladding, new build and equity release.
- Develop its direct to consumer (D2C) offer, including building a D2C sales team and developing its D2C survey product.
- Support the development of Financial Services, for example by attracting intermediaries to the PRIMIS network through its Surveying and Valuation Services proposition and offering survey products in its Financial Services business.

In the Estate Agency Division LSL's branches facilitated 21,000 house exchanges and managed 34,000 rental properties in 2020, across 350 owned and franchised locations. The Group aims to:

- Grow profitable market share in existing catchments, for example by investing in digital marketing presence and in technology to help the business respond faster to valuation requests.
- Improve the franchise proposition and work with existing franchisees to support their growth aspirations and expand the Group's reach.
- Support the development of Financial Services, in particular by generating mortgage and protection leads, improving penetration of other products such as conveyancing and surveys, and exploiting digital technology to create a unified customer experience.

Strategic themes

In delivering this strategy, LSL will focus on six core strategic themes:

1. Grow share of core markets: continue to focus on organic and acquisition opportunities.
2. Generate new sources of leads: develop, buy and/or partner to develop.
3. Build resilient revenue streams: focus on customer retention and digital offering of products to support face-to-face.
4. Introduce new products and services: develop, buy and/or partner to generate new revenue opportunities, in line with customer needs.
5. Employ target operating model and ways of working: focus on revenue and cost synergies, as well as embracing digital technology.
6. Deploy capital to high-growth areas: simplify the Group and invest in areas of higher growth and return.

These themes will be supported by two strategic enablers:

1. Leverage technology and digital capability: exploit existing market-leading technology, consider new technology and, especially, use digital to support growth.
2. Hire, retain and develop talented people: continue to hire the best people in the industry to drive growth.

Direct to consumer

Through its Estate Agency distribution, in 2020 LSL had access to customers across 21,000 exchanges and 34,000 rental properties. In many locations and products, the Group is very successful at generating revenue from these transactions, such as through mortgages or conveyancing. However, there is a significant opportunity to increase revenues by offering customers a more consistent, comprehensive, scalable and enduring solution, supported by both people and digital technology:

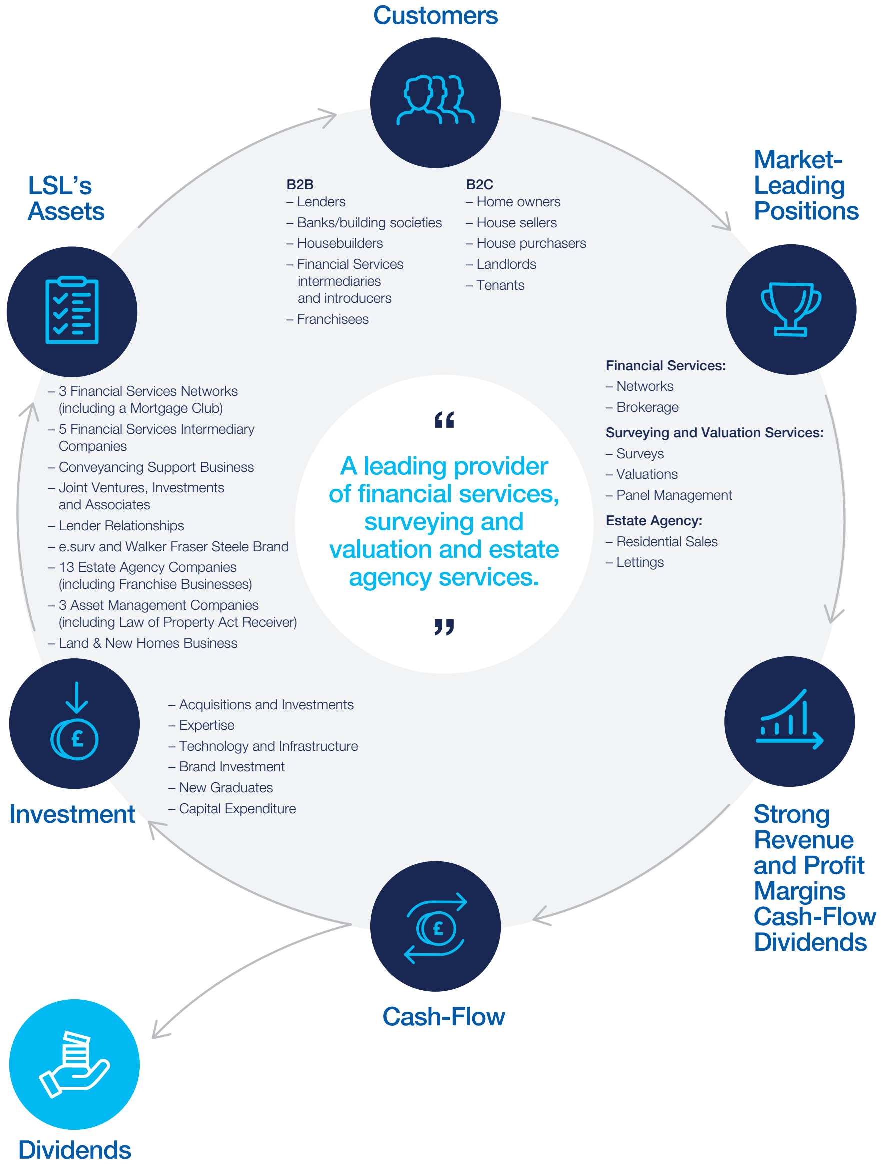
- More consistent: offered to all customers, on every transaction.
- More comprehensive: offer existing products to more customers and offer new products such as surveys.
- More scalable: supporting local fulfilment with digital services, provided by central and remote teams and advisers.
- More enduring: seek to maximise the lifetime value of the customer relationship, not just secure a point-in-time transaction.

LSL will focus on unlocking value within the Group, with digital technology at its heart, and leveraging the Divisions to create value which is greater than the sum of the parts.

Notes:

[1] Intermediary Mortgage Lenders Association's (IMLA) current estimate of gross new lending for 2021 – January 2021

Business Model



Note:
Business Model describes the Group's operations as at 31 December 2020

Business Reviews

Group Summary

Group Financial Summary	H1			H2			FY		
	2020	2019	Var	2020	2019	Var	2020	2019	Var
Profit and loss (£m)									
Revenue	**114.9**	154.1	(25)%	**151.8**	157.0	(3)%	**266.7**	311.1	(14)%
Group Underlying Operating Profit[1] (pre COVID-19 costs)	**12.5**	12.2	3%	**29.0**	24.9	17%	**41.5**	37.0	12%
Group Underlying Operating margin (pre COVID-19 costs)	**10.9%**	7.9%	300bps	**19.1%**	15.8%	330bps	**15.6%**	11.9%	370bps
Group Underlying Operating Profit[1] (post COVID-19 costs)	**9.7**	12.2	(20)%	**25.5**	24.9	2%	**35.2**	37.0	(5)%
Group Underlying Operating margin (post COVID-19 costs)	**8.5%**	7.9%	60bps	**16.8%**	15.8%	90bps	**13.2%**	11.9%	130bps

Division Underlying Operating Profit[1] (pre COVID-19 costs)	H1 2020	H1 2019	H1 Var	H2 2020	H2 2019	H2 Var	FY 2020	FY 2019	FY Var
Financial Services	**4.9**	4.3	14%	**8.5**	7.3	17%	**13.5**	11.6	16%
Surveying	**4.9**	6.3	(23)%	**13.0**	10.0	30%	**17.9**	16.3	9%
Estate Agency	**4.1**	4.0	3%	**11.4**	10.4	9%	**15.5**	14.5	8%
Unallocated central costs	**(1.4)**	(2.5)	(45)%	**(3.9)**	(2.9)	36%	**(5.3)**	(5.4)	(1)%
Group Underlying Operating Profit (pre COVID-19 costs)	**12.5**	12.2	3%	**29.0**	24.9	17%	**41.5**	37.0	12%

Division Underlying Operating Profit[1] (post COVID-19 costs)	H1 2020	H1 2019	H1 Var	H2 2020	H2 2019	H2 Var	FY 2020	FY 2019	FY Var
Financial Services	**4.6**	4.3	7%	**7.6**	7.3	4%	**12.3**	11.6	6%
Surveying	**4.1**	6.3	(35)%	**12.1**	10.0	21%	**16.2**	16.3	(1)%
Estate Agency	**2.4**	4.0	(40)%	**9.7**	10.4	(7)%	**12.1**	14.5	(16)%
Unallocated central costs	**(1.4)**	(2.5)	(43)%	**(4.0)**	(2.9)	36%	**(5.4)**	(5.4)	(1)%
Group Underlying Operating Profit (post COVID-19 costs)	**9.7**	12.2	(20)%	**25.5**	24.9	2%	**35.2**	37.0	(5)%

Notes:

1 Group Underlying Operating Profit is before exceptional costs, contingent consideration, amortisation of intangible assets, share-based payments and includes £15.7m of amounts receivable pursuant to the Coronavirus Job Retention Scheme and utilised to pay employee salaries for those placed on furlough (as set out in Note 8 to the Group Financial Statements). Divisional Underlying Operating Profit is stated on the same basis as Group Underlying Operating Profit.

After a highly resilient performance in a COVID-19 impacted H1 2020, which reflected operational agility and careful financial management, in H2, following the reopening of the property markets, performance recovered strongly, as colleagues returned to work from furlough, re-built pipelines, delivering improving financial performance as H2 progressed, and setting up a strong platform for Q1 2021. High standards of service to customers were maintained throughout, despite many colleagues still working from home during the latest lockdown.

In 2020, LSL's markets were materially impacted by COVID-19, with total mortgage lending down 9%[1], total mortgage approvals down 10%[2] and UK housing market transactions down 11%[3]. LSL's financial performance was highly resilient given these headwinds. Group Revenue decreased by 14.3% to £266.7m (2019: £311.1m), impacted by COVID-19, the planned reduction in February 2019 of 164 Estate Agency branches to reshape the Your Move and Reeds Rains networks, and the tenant fee ban introduced in June 2019.

Group Revenue in H1 2020 reduced by 25%. Much of this reduction resulted from the restrictions arising from the first national lockdown, between 23 March and 13 May 2020, which affected the last weeks of Q1 2020 and much of Q2 2020 trading, as the entire network of 356 owned and franchised Estate Agency branches was closed, with other activities restricted, including physical valuations by surveyors, home moves and viewings.

Following the reopening of the property markets during May 2020, revenue performance increased steadily throughout the second half, with total Group Revenue for H2 behind by just 3%. Group Revenue in Q4 recovered to be 4% ahead of the same period in 2019, with particularly strong December trading as reported on 15 January 2021. Given the lead time between initial activity and revenue being recognised, the recovery in underlying trading conditions was somewhat greater than indicated by these numbers.

Group Underlying Operating Profit (post COVID-19 costs) was £35.2m (2019: £37.0m). Group Underlying Operating Profit is stated after £6.4m of COVID-19 related net costs and before net exceptional costs of £6.4m, contingent consideration, amortisation and share-based payments. Group Underlying Operating Profit (pre COVID-19 costs) was £41.5m, being 12% up against prior year. These figures include amounts received through the Coronavirus Job Retention Scheme (CJRS).

COVID-19 related net costs of £6.4m include costs incurred for unused property and other assets, such as vehicles, while the national lockdown was in place during 2020, and other costs including holiday pay accruals and Personal Protective Equipment (PPE), net of property grants received during the national lockdown.

Group Underlying Operating Profit includes £15.7m received through the CJRS, which was used to meet the salaries of employees placed on furlough and secure long term jobs, and £2.4m of business rates relief. The Group also received property grants of £2.6m. Around 90% of the total CJRS amounts, was received during H1 2020, reflecting the impact of the significant restrictions on activity in the housing market, the required closure of the Estate Agency branch networks, the restriction on all physical property valuations, which resulted in circa 3,300 employees being placed on furlough during the first national lockdown. By the end of July 2020, over 85% of furloughed employees had returned to work, with the remainder returning steadily over the following months, reflecting the successful use of the scheme to safeguard jobs, with no colleagues remaining on furlough.

In light of the support provided by Government schemes, the Board determined it was inappropriate to pay the final dividend for 2019 or to declare any dividends for 2020. In addition, planned salary rises in 2020 were cancelled and severe restrictions placed on management bonuses. No executive director bonuses were awarded for 2020.

Underlying Operating Profit is summarised below:

	2020 £m	2019 £m
Group Underlying Operating Profit (post COVID-19 costs)	**35.2**	37.0
Adjustments for COVID-19 related net costs:		
On assets unused during lockdown (premises, vehicles etc)	**3.0**	-
Other costs including holiday pay accrual	**3.3**	-
Group Underlying Operating Profit (pre COVID-19 costs)	**41.5**	37.0

Group Underlying Operating Profit (post COVID-19 costs) in H1 was down 20% (Q1 +62%, Q2 -37%), reflecting a strong start to the year as political uncertainty receded, before profitability reduced significantly during the first national lockdown in which the Government introduced severe restrictions on business activity. Profitability recovered quickly in June, following easing of these restrictions.

Trading was strong throughout H2, with the Government reiterating its intention to allow the housing market to operate as normally as possible, allowing the Group's Financial Services, Surveying and Estate Agency operations to operate more normally in line with Government and Group safety guidance. Group Underlying Operating Profit (post COVID-19 costs) in H2 was £25.5m, up 2% compared to the prior year.

Financial Services delivered a particularly resilient performance, with Underlying Operating Profit post and pre COVID-19 costs up in both H1 and H2. The Financial Services Division represented an increased proportion of Group profit, continuing the trend of recent years as the

Group focuses on growth in this area.

Surveying Division Underlying Operating Profit (post COVID-19 costs) was broadly in line with the prior year, representing a resilient performance. The Division was materially impacted by business restrictions during the first national lockdown, then recovered strongly in the second half, benefiting from strong lender pipelines and increased new business activity.

The Estate Agency Division's performance also recovered in the second half of the year, having been significantly impacted in the first national lockdown. Estate Agency Division Underlying Operating Profit (post COVID-19 costs) for the year was down 16% (-40% in H1 and -6% in H2). The residential sales exchange pipeline at 31 December 2020 was more than 65% above the same date in 2019.

Notes:

1 UK Finance – New mortgage lending by purpose of loan, UK (BOE) (excluding product transfers)

2 Bank of England – House Purchase Approvals and Total Mortgage Approvals

3 HMRC – Residential Property Transactions £40,000 or above

Business Reviews

Financial Services Division

Financial Services: Financials Summary	H1 2020	H1 2019	H1 Var	H2 2020	H2 2019	H2 Var	FY 2020	FY 2019	FY Var
Profit and loss (£m)									
Total revenue	**28.1**	34.3	(18)%	**32.9**	35.5	(7)%	**61.0**	69.8	(13)%
Underlying Operating Profit[1] (pre COVID-19 costs)	**4.9**	4.3	14%	**8.5**	7.3	17%	**13.5**	11.6	16%
Underlying Operating margin (pre COVID-19 costs)	**17.5%**	12.6%	490bps	**25.9%**	20.6%	530bps	**22.1%**	16.7%	540bps
Underlying Operating Profit[1] (post COVID-19 costs)	**4.6**	4.3	7%	**7.6**	7.3	4%	**12.3**	11.6	6%
Underlying Operating margin (post COVID-19 costs)	**16.5%**	12.6%	390bps	**23.2%**	20.6%	260bps	**20.2%**	16.7%	350bps

KPIs	H1 2020	H1 2019	H1 Var	H2 2020	H2 2019	H2 Var	FY 2020	FY 2019	FY Var
LSL mortgage completion lending[2] (£bn)	**14.6**	14.7	(0)%	**18.0**	17.1	6%	**32.6**	31.7	3%
LSL market share[3]	**9.0%**	8.5%	50bps	**9.1%**	8.6%	50bps	**9.1%**	8.6%	50bps
Total advisers	**2,431**	2,277	7%	**2,585**	2,392	8%	**2,585**	2,392	8%
Number of AR firms	**896**	860	4%	**930**	878	6%	**930**	878	6%
FCA capital requirement[4]	**5.3**	4.7	12%	**5.2**	4.8	10%	**5.2**	4.8	10%
Excess capital[4]	**10.6**	10.8	(2)%	**13.5**	10.8	25%	**13.5**	10.8	25%
Lapse provision	**4.8**	5.7	(16)%	**4.5**	5.3	(15)%	**4.5**	5.3	(15)%

Notes:

1 Underlying Operating Profit is shown pre and post COVID-19 related net costs

2 LSL mortgage completion lending quoted includes product transfers

3 Market share excludes product transfers

4 2020 FCA capital requirement and excess capital

Headlines

LSL is one of the largest providers of services to mortgage intermediaries and specialist mortgage and insurance advice to estate agency and new build customers. The Board estimates that PRIMIS is the UK's largest mortgage network. During 2020, PRIMIS won multiple awards, including the Moneyfacts Awards 2020: Mortgage Network of the Year, Mortgage Introducer Awards 2020: Mortgage Network of the Year, AIG Quality Awards 2020: Best Crisis Response, Mortgage Strategy Awards 2020: Best Network 300+ ARs, COVER Excellence Awards 2020: Best Intermediary Promotion of Protection/ Health.

The importance of Financial Services to the Group continues to increase, reflecting the Board's strategy to develop a broader and less volatile income stream in sectors in which it has significant experience. The Financial Services Division has enhanced its profit and market share consistently over recent years, demonstrating resilience and capacity to grow across a wide range of market conditions. Over the five financial years ended 31 December 2020, the CAGR of Underlying Operating Profit in the Financial Services Division was 26%[1]. The Financial Services proportion of LSL's gross Divisional profit has increased for over ten years running to 29% in 2020. Intermediaries continue to take the dominant share of the mortgage market and customers continue to benefit from impartial advice, particularly with the impact of COVID-19 on lending criteria. The share of new residential lending sold via intermediaries[2] continued to grow in 2020 to 76% of the market (2019: 74%) demonstrating the continued resilience of LSL's business model.

LSL has established itself as a leading player in the provision of mortgage brokerage, and in 2020, LSL provided services in relation to £32.6bn of mortgage completions, increasing LSL's market share by 0.5 percentage points to 9.1% of the total purchase and remortgage market (2019: 8.6%). LSL is also a leading player in the provision of general and protection insurance, generating new protection insurance policies of around £54m of annualised premium in 2020.

Despite the impact of COVID-19, the Financial Services Division delivered profit growth in H1 and H2 on both a pre and post COVID-19 cost basis.

Summary of Financial Services businesses

LSL Financial Services businesses operate in three channels, Intermediary

Network, Direct to Consumer and New Build Homes.

The Intermediary Network channel comprises PRIMIS, a leading UK appointed representative network with broad UK coverage, and The Mortgage Alliance (TMA), a mortgage club distributing mortgages and financial services products to directly authorised mortgage intermediaries. PRIMIS has a network of 2,585 independent advisers in 930 appointed representative firms, and TMA has around 600 regular members. The Board believes that PRIMIS is the largest mortgage network in the UK.

The Direct to Consumer channel is made up of employed and self-employed advisers providing mortgage and protection advice in branch and via telephony to customers of both LSL and independent estate agency branches, through Embrace Financial Services and Linear Financial Solutions. First2Protect provides home insurance products for property owners, landlords and tenants. There are 308 advisers in the direct to consumer channel.

The New Build Homes channel consists of two LSL subsidiaries, Group First and RSC, specialising in providing mortgages and financial services products to customers financing the purchase of new build properties. There are 69 directly appointed advisers in Group First and RSC providing these services via partnerships with new build developers.

Total Financial Services revenue generated by the Group in 2020 was £70.8m, being reported in the Financial Services Division (£61.0m) and in the Estate Agency Division (£9.9m), the latter representing a variable commission payment from Embrace Financial Services Ltd, a subsidiary within LSL's Financial Services Division, reflecting its role in introducing customers to Embrace advisers.

Revenue is well diversified across the three channels. The revenue mix by channel for 2020 and 2019 was as follows:

Total Group Financial Services Revenue Mix by Channel (%)

	2020	2019
Intermediary Network	**44%**	40%
Direct to Consumer	**40%**	43%
New Build Home	**16%**	17%
Total revenue	**100%**	100%

The Financial Services Division has significant scale across its breadth of products, including mortgage products, pure protection products and general insurance products. LSL's financial revenue is made up of mortgage advice (fees paid by consumer), mortgage procuration (fees paid by mortgage lenders), protection insurance and household insurance (commission paid by insurance companies) and other income (including broker fees for PRIMIS services).

The Division's revenue mix by product highlights the significance of LSL's insurance business and its success in arranging protection products both on a standalone basis as well as when needed at the time of a mortgage being arranged.

There is a broadly equal split between mortgage related and protection and insurance related revenue. The split of revenue by type is as follows:

Total Group Financial Services Revenue Mix by Type (%) Year ended 31 December

	2020	2019
Mortgage fees	**42%**	47%
Life and general insurance fees	**45%**	43%
Other fees	**13%**	10%
Total revenue	**100%**	100%

2020 performance

LSL's total gross mortgage completions (including product transfers) increased by 3% to £32.6bn (2019: £31.7bn). Gross mortgage completions excluding product transfers reduced by 3% to £22.1bn (2019: £22.8bn), in a market which UK gross mortgage lending (excluding product transfers) fell by 9% and UK housing transactions fell by 11%. An increasingly important activity is advising customers switching mortgage schemes with their existing lender ('product transfers'). LSL's product transfers increased by 17% to £10.5bn (2019: £8.9bn) as product transfers dominated remortgage activity during lockdown, supporting the generation of recurring income.

The mix of mortgage applications between purchase and refinance (including both remortgages and product transfers), returned to more typical levels as the year progressed. Cases were heavily skewed to refinance during lockdown at around 86% in April, with a more normal 50/50 split for most of H2. The proportion of mortgage product transfers arranged during 2020 increased to 32%, up from 28% of all LSL lending arranged in 2019.

LSL continued to be successful in attracting new appointed representative firms to its PRIMIS network. In the year to 31 December 2020, the number of appointed representative firms increased by 6% to 930, and the number of advisers by 8% to 2,585. The number of advisers has subsequently grown further to 2,681 as at 31 March 2021, and the pipeline of new advisers had also grown over Q1 2021. Further recruitment of new firms and advisers is expected to support ongoing profitable growth for PRIMIS.

Despite the impact of COVID-19, the Financial Services Division delivered profit growth in H1 and H2 on a pre and post COVID-19 cost basis. Underlying Operating Profit (post COVID-19 costs) increased by 6% to £12.3m (2019: £11.6m). This improvement was delivered despite the impact of the market disruption on Financial Services' revenue, which was down 13% to £61.0m (2019: £69.8m). The improvement in profitability reflected careful cost management with scale efficiencies in PRIMIS, including reduced IT platform costs, which will support LSL's profitability as we continue to grow our Financial Services businesses.

Following a revenue reduction of 18% during H1, there was a steady improvement following the end of the first national lockdown, with H2 2020 revenues down 7% on H2 2019. Momentum grew as the second half progressed and performance in December was particularly strong with year-on-year revenue growth in December 2020 of 10%, as application pipelines converted strongly.

PRIMIS finished the year particularly well, with year-on-year revenue growth in December of around 21%.

Impact of COVID-19

The impact of COVID-19 varied by channel. The Intermediary channel was particularly resilient, with revenue down 7% year-on-year, outperforming the overall market decline of 9%. The independent advisers working in the PRIMIS network firms focused on service of existing clients, working remotely from their customers through the lockdown period. The attachment rate of penetration of protection products to new mortgages written fell during the period, as the lack of face-to-face appointments impacted conversion, and increased the proportion of product transfers providing less opportunities for protection.

The Direct to Consumer channel revenue was down 20% year-on-year, reflecting the impact of COVID-19 on the residential market, with UK transactions down 11%, and the phased return of advisers from furlough impacted the speed of resumption of normal productivity levels and from financial advisers largely not able to physically work in the Estate Agency branches due to social distancing requirements. Embrace Financial Services (EFS) advisers supporting the LSL Estate Agency branches naturally saw opportunities reduce following the closure of the Estate Agency branches during the lockdown in Q2, resulting in fewer completions in Q2 and a lower pipeline entering Q3. Year-on-year comparative volumes were also impacted by the reshaping of the branch network during Q1 2019.

New Build Homes channel revenue was down 21% year-on-year. The overall new build market was more heavily affected than the second-hand market in 2020, with completions of new build homes in the year to December 2020 down 17% compared to prior year. New Build Homes was particularly affected by the shutdown of development sites in H1 and ongoing supply chain challenges during H2, resulting in builders completing less properties. The phased return of advisers from furlough impacted the speed of resumption of normal productivity levels.

Total Group Financial Services Revenue (£m)
Year ended 31 December

	2020	2019	Year-on-year
Intermediary Network	**31.3**	33.5	-7%
Direct to Consumer	**28.2**	35.4	-20%
New Build Homes	**11.4**	14.4	-21%
Total Group Financial Services revenue	**70.8**	83.4	-15%
Less: Estate Agency variable commission	**(9.9)**	(13.6)	-27%
Total Financial Services Division	**61.0**	69.8	-13%

Technology

In 2020, the Division continued to develop Toolbox, its proprietary software systems, including improvements to the advice journey for both end-customers and advisers, the delivery of a client portal supporting remote advice capability, as well as deployment of enhanced security features and electronic identity verification solutions. Toolbox is to be used as the platform for the Group's 'buy-and-build' joint venture with Pollen Street Capital.

In February 2021 LSL announced the acquisition of a 60% stake in Direct Life Quote Holdings Limited for £1.8m, and the business and assets of Mortgage Gym Limited (Mortgage Gym) for £2.4m, as part of its digital strategy to drive growth in Financial Services.

The deployment of Mortgage Gym will strengthen the technology support available to LSL and PRIMIS mortgage advisors, increasing the efficiency of users and helping to pre-qualify leads, whilst increasing the capability to generate leads from third party sources. The technology is currently being piloted by LSL in the new build market and under LSL ownership it is planned to accelerate its deployment, enhancing the service proposition to developers and giving LSL the opportunity to grow market share in this sector. It is also expected to bring significant benefits to EFS, increasing the efficiency and productivity of advisers working with LSL and third party estate agency offices, such as those of The Property Franchise Group.

Direct Life Quote Holdings principal subsidiary, Direct Life and Pension Services, has developed an advanced technology platform that offers digital protection insurance product recommendations to intermediaries and direct to retail customers via an end-to-end online service through third party aggregators. The investment in Direct Life and Pension Services will help both PRIMIS members and LSL's directly employed advisers to increase their sale of protection products for the benefit of clients and customers.

Governance

The regulated nature of Financial Services highlights the importance of effective risk management. Given the importance of

Financial Services to the Group's strategy, the Nominations Committee has taken steps to ensure that the Board includes directors with significant experience of operating in regulated financial services businesses. During 2020 the independent member of the Financial Services Oversight Committee became Chair of that Committee, to enhance the Division's governance arrangements.

In common with other regulated businesses, LSL's Financial Services activities require the maintenance of minimum levels of regulatory capital, the calculation for which is based on revenue in related activities. At the end of Q4 2020, the most recent regulatory reporting period, the relevant businesses held total capital of £18.7m, significantly ahead of the regulatory requirement of £5.2m and indicative of the Group's prudent approach to balance sheet management. This capital surplus will support significant further growth in FCA-regulated activities.

Notes:

1 Underlying Operating Profit growth is pre COVID-19 related net costs

2 UK Finance New residential lending sold direct and via intermediaries

3 LSL mortgage completions lending quoted includes product transfers

Business Reviews

Surveying and Valuation Services Division

Surveying: Financials Summary	H1 2020	H1 2019	H1 Var	H2 2020	H2 2019	H2 Var	FY 2020	FY 2019	FY Var
Profit and loss (£m)									
Total revenue	**31.1**	42.7	(27)%	**46.0**	43.7	5%	**77.1**	86.4	(11)%
Underlying Operating Profit[1] (pre COVID-19 costs)	**4.9**	6.3	(23)%	**13.0**	10.0	30%	**17.9**	16.3	9%
Underlying Operating margin (pre COVID-19 costs)	**15.6%**	14.8%	80bps	**28.3%**	22.9%	530bps	**23.2%**	18.9%	420bps
Underlying Operating Profit[1] (post COVID-19 costs)	**4.1**	6.3	(35)%	**12.1**	10.0	21%	**16.2**	16.3	(1)%
Underlying Operating margin (post COVID-19 costs)	**13.1%**	14.8%	-170bps	**26.3%**	22.9%	340bps	**21.0%**	18.9%	210bps
KPIs									
Jobs performed (000's)	**197**	251	(22)%	**290**	257	13%	**487**	508	(4)%
Revenue from private surveys (£m)	**0.5**	0.9	(49)%	**0.7**	0.9	(25)%	**1.1**	1.8	(37)%
Income per job (£)	**158**	170	(7)%	**159**	170	(6)%	**159**	170	(7)%
Operational surveyors employed (FTE[2])	**507**	486	4%	**513**	514	0%	**513**	514	0%
Balance sheet (£m)									
PI Costs provision	**(7.6)**	(10.9)	(30)%	**(7.0)**	(8.2)	(14)%	**(7.0)**	(8.2)	(14)%

Notes:

1 Underlying Operating Profit is shown pre and post COVID-19 related net costs

2 Full Time Equivalent (FTE)

Despite the significant operational impact on the Surveying Division caused by the restrictions imposed due to COVID-19, the financial performance was highly resilient. Service levels provided to clients remained high and e.surv was awarded Best Surveyor/Valuer at the 2020 Mortgage Strategy Awards.

Surveying Division revenue decreased by 11% to £77.1m (2019: £86.4m). Revenue in the first half reduced by 27%, following a positive revenue performance in January and February. Lockdown restrictions prevented the Group from undertaking any physical valuations between 23 March and 18 May. During this time, LSL worked with lenders to rapidly increase the volumes of valuations performed remotely.

The ability to undertake physical valuations recommenced on 18 May 2020, following which volumes quickly recovered. Revenue in H2 2020 was up 5% over the same period in 2019, reflecting both the clearance of pipelines built up during lockdown as well as high levels of new instructions. The recovery gained momentum as the second half progressed, with December Surveying revenue up 25% year-on-year. The year included the completion of a key contractual negotiation, with the Surveying Division having been awarded an extension to its contract to supply UK residential survey and valuation works to a major high street bank in June 2020.

During 2020, just over 70% of the Surveying Division's revenues were derived from its top five customers. This is broadly consistent with the concentration of mortgage lending in the UK, where it is estimated that the six largest lenders collectively account for around 70% of the market. The total number of jobs performed during the year was 486,520 (2019: 508,061), with 60% taking place in H2 2020 (H2 2019: 51%).

Income per job in 2020 reduced to £159 (2019: £170), due to the increased proportion of jobs undertaken remotely. Remote valuations take less surveyor time to complete than physical valuations, bringing capacity advantages to mitigate the lower income per job. Remote valuations in 2020 represented 24% of all jobs performed (2019: 7%). The percentage increased to 22% in H1 but was 100% during the period of no physical valuations between 23 March and 18 May. Over H2 remote valuations represented 26% of the total. This partly reflected a market-wide shortage of capacity to clear pipelines and cope with elevated demand conditions, as well as an increase in the use of remote valuations by some lender clients.

Surveying Division Underlying Operating Profit (post COVID-19 costs) of £16.2m was broadly in line with prior year (2019: £16.3m). Underlying Operating Profit was down 35% in H1 and up 21% in H2, with an improved profit margin (post COVID-19 costs) for 2020 of 21.0% (2019: 18.9%). The margin benefited from cost restructuring during H2 2019 and during Q1 2020, following rationalisation of back-office administration, which yielded annualised savings of £1m.

The development and retention of surveyors remains a high priority, and success in this area facilitated the delivery of significant valuation volumes following lockdown. The total number of operational surveyors employed (FTE) at 31 December 2020 was maintained at 513 (2019: 514). In 2021, the Surveying Division will continue to focus on its recognised and highly successful graduate programme, to alleviate the impact of capacity constraints in the market and backfill. The pass rate for graduates to AssocRICS status in 2020 was 100%. In addition, the business continues to recognise other industry bodies to provide capacity, supporting trainees with our established mentoring programme.

At 31 December 2020, the total provision for professional indemnity (PI) costs was £7.0m (2019: £8.2m). In 2020, the Group continued to make positive progress in addressing historic PI claims and there was a net £0.7m exceptional gain in the year.

Estate Agency: Financials Summary	H1 2020	H1 2019	H1 Var	H2 2020	H2 2019	H2 Var	FY 2020	FY 2019	FY Var
Profit and loss (£m)									
Residential Sales exchange income	**18.6**	27.6	(33)%	**30.2**	30.1	0%	**48.8**	57.7	(15)%
Lettings income	**27.5**	33.8	(19)%	**31.1**	33.5	(7)%	**58.6**	67.3	(13)%
Financial Services income	**4.5**	6.8	(33)%	**5.4**	6.8	(21)%	**9.9**	13.6	(27)%
Franchise income	**0.7**	1.0	(31)%	**0.9**	1.3	(25)%	**1.6**	2.3	(28)%
Conveyancing and other[1]	**2.5**	5.5	(55)%	**3.5**	3.4	4%	**5.9**	8.8	(33)%
Asset Management	**2.0**	2.5	(20)%	**1.8**	2.8	(36)%	**3.8**	5.3	(29)%
Total revenue	**55.8**	77.1	(28)%	**72.9**	77.8	(6)%	**128.7**	154.9	(17)%
Underlying Operating Profit[2] (pre COVID-19 costs)	**4.1**	4.0	3%	**11.4**	10.4	9%	**15.5**	14.5	8%
Underlying Operating margin (pre COVID-19 costs)	**7.4%**	5.2%	220bps	**15.6%**	13.4%	220bps	**12.1%**	9.3%	280bps
Underlying Operating Profit[2] (post COVID-19 costs)	**2.4**	4.0	(40)%	**9.7**	10.4	(7)%	**12.1**	14.5	(16)%
Underlying Operating margin (post COVID-19 costs)	**4.3%**	5.2%	-90bps	**13.3%**	13.4%	-20bps	**9.4%**	9.3%	10bps
KPIs									
Exchange units – owned (000's)	**5.0**	8.5	(41)%	**7.9**	8.2	(3)%	**12.9**	16.7	(23)%
Managed properties – owned (000's)	**24.8**	25.1	(1)%	**24.8**	25.0	(1)%	**24.8**	25.0	(1)%
Average Residential Sales exchange fee per unit (£)	**3,730**	3,246	15%	**3,809**	3,666	4%	**3,778**	3,452	9%

Notes:

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

2 Underlying Operating Profit is shown pre and post COVID-19 related net costs

Following a strong start to the year, the pandemic resulted in the closure of the branch network, with H2 experiencing a significant increase in housing market activity. The Estate Agency Division responded with agility to the operational challenges caused by COVID-19 and we are exceptionally well placed to benefit from the current strong market, having increased our market share since the end of the lockdown.

Estate Agency Underlying Operating Profit (post COVID-19 costs) was £12.1m (2019: £14.5m), with the impact of COVID-19 and the tenant fee ban (June 2019) offsetting the benefit of the branch networks rationalisation in the early part of 2019. After COVID-19 costs are excluded, Underlying Operating Profit was £15.5m. After COVID-19 costs, H1 profit was down 40% to £2.4m (H1 2019: £4.0m), recovering in H2 to just 7% down to £9.7m (H2 2019: £10.4m) as the market opened, with residential exchange pipelines at 31 December 2020, up 65% year-on-year.

Total Estate Agency Division revenue for 2020 decreased by 17% to £128.7m (2019: £154.9m). Adjusting for the closure of the Your Move and Reeds Rains branches during Q1 2019, like-for-like total revenue decreased by 14% compared to 2019. Revenues for H1 2020 decreased by 28% in comparison to the prior year, reflecting the impact of the national lockdown on all revenue streams. The recovery in revenues post the national lockdown resulted in H2 2020 revenue performance down just 6% year-on-year, reflecting high levels of Residential Sales exchanges. In Q4 2020, revenues were 1% up year-on-year as the significant pipeline built during the period following lockdown began to exchange. This steady growth can be seen in December revenues which were up 7% year-on-year. This pattern continued into 2021, with the first quarter showing strong growth over both 2019 and 2020.

Over the period March 2020 to May 2020, the proportion of Estate Agency FTE employees placed on furlough peaked at 77%. Once restrictions relaxed after the national lockdown, the Group rapidly reopened its branch networks. The number of FTE employees on furlough reduced to 35% by the end of June 2020 and was just 2% by the end of September 2020, with further reductions as the year progressed.

Although COVID-19 materially impacted the London property market, the market recovered extremely strongly following the easing of restrictions. Marsh & Parsons'

Residential Sales exchange income was down 11% year-on-year in H1, before recovering strongly to 4% ahead in H2. Lettings income was impacted during the year by lower demand and rents, particularly in prime Central London. However, this has recovered strongly in recent months. A new Financial Services offering was launched by Marsh & Parsons at the beginning of 2020, which is expected to contribute positively to profits in 2021.

Residential Sales

Residential Sales exchange income decreased by 15% to £48.8m (2019: £57.7m). Adjusting for the reduced number of branches following the planned reshaping of the network in Q1 2019, total like-for-like Residential Sales exchange income decreased by 12%, broadly in line with the overall market decline on a national level. Encouragingly, at a local level, in the locations traded by LSL, market share slightly increased in H2, a pattern which has continued in 2021.

Residential Sales exchange income was down by 33% in H1 2020, with low exchange volumes in the immediate lead up to and during the first national lockdown between 23 March and 13 May 2020, throughout which time the branch network was required to close. LSL's Estate Agency businesses responded quickly to the easing of restrictions, and by the end of June 2020, all but five branches had reopened. Residential Sales exchange activity increased steadily post the national lockdown, with H2 2020 revenues in line with the prior year. Q4 2020 revenues were up 16% year-on-year, with exchanged units up 14%.

The significant increase in the number of house sales agreed following the end of the national lockdown in May 2020 gave rise to significant pressures in parts of the housing chain, notably a market-wide shortage in conveyancing capacity. This has meant that the average time taken to exchange and complete on agreed sales has increased in the market generally.

The Residential Sales exchange pipeline grew materially during this period. At the end of December 2020, this pipeline was more than 65% above the same point in 2019. There was no evidence of any material increase in Residential Sales fall-through trends in the later part of 2020, nor in 2021 to date.

Average residential sales exchange fees per unit increased by 9% to £3,778 (2019: £3,452), reflecting the impact of the reshaped keystone branch network and the closure of more marginal, sub-scale branches.

Lettings

Total Lettings income decreased by 13% to £57.7m (2019: £67.3m). Adjusting for the planned reduction in branches and for the tenant fee ban introduced in June 2019, total like-for-like Lettings income decreased by 9%, the recurring nature providing significant resilience to market conditions. As a result, Lettings income increased to 46% of total Estate Agency income (2019: 43%), despite the impact of the tenant fee ban.

Lettings income was, however, affected by the low volume of buy-to-let properties coming to market, a suppressed student market during the national lockdown and an excess of lettings stock in prime Central London, where fewer tourists and corporate lets caused more properties to be released onto the long term lettings market, creating pressure on rents and added competition for tenants. The total number of managed properties at 31 December 2020 was 24,804, broadly in line with the same date in 2019.

Financial Services Income

As noted above, the Estate Agency Division receives a variable commission payment from Embrace Financial Services Ltd, a subsidiary within LSL's Financial Services Division, reflecting its role in introducing customers to EFS advisers. This income was down 27% to £9.9m (2019: £13.6m), reflecting the impact of COVID-19 in reducing branch network generated leads and lower productivity from financial advisers not able to physically work in the Estate Agency branches. The arrangements between the Estate Agency Division and EFS are being reviewed to align them more closely with market rates based on an arm's length relationship. This is likely to result in lower payments from EFS to Estate Agency, and a move in profits from the Estate Agency Division to the Financial Services Division. More information in respect of the impact of this will be provided at the time of publication of LSL's Interim Results for 2021.

Franchise Income

Franchise income was down 28% to £1.6m in 2020 (2019: £2.3m) largely reflecting lower royalties received from franchisees relating to residential exchange sales resulting from the market-wide factors described above.

Conveyancing and other income

Conveyancing and other income fell by 31% to £5.9m (2019: £8.8m), in large part due to lower Residential Sales transaction volumes and lower productivity brought about by the need for home working following the return from lockdown. H1 was down 55%, with a recovery in H2 (up 4%) reflecting the conveyancing income earned on increasing Residential Sales Income.

Asset Management

Asset Management revenues were down by 29% for the year to £3.8m (2019: £5.3m), a smaller reduction than the overall reduction in repossessions which were down by 67%. The number of repossessions was much lower than in previous years as lenders exercised forbearance to protect customers whose personal and financial situation was impacted by COVID-19. This was reinforced strongly in the FCA's COVID-19 guidance, in effect since 19 March 2020, that lenders should not enforce repossessions before 1 April 2021, except in exceptional circumstances.

Branch numbers

Breakdown of LSL's Estate Agency branches as at 31 December 2020 and 31 December 2019:

	Owned	Franchise	**Total 2020**	Total 2019
Your Move	89	79	**168**	169
Reeds Rains	56	49	**105**	105
Sub total	145	128	**273**	274
LSLi	51	2	**53**	59
Marsh & Parsons	30	0	**30**	30
Total	**226**	**130**	**356**	**363**

The total number of Estate Agency branches reduced by seven in 2020, following the net reduction of five owned branches, including the closure of six LSLi owned branches, the opening of one Reeds Rains branch, and the closure of two franchise branches.

Estate Agency Awards and Achievements 2020

- *Reeds Rains:* **Best Estate Agent Guide 2021**(*): Best Estate Agency Guide Award – Best Large Lettings Agency in the UK, Winner.
- *Your Move:* **USwitch Website Speed League Survey**: Overall Best Property Website.

(*) As judged and announced in 2020.

Financial Services regulation

LSL's Financial Services business includes three FCA regulated firms, First Complete Limited, Advance Mortgage Funding Limited, and Personal Touch Financial Services Limited, which all trade as PRIMIS Mortgage Network or PRIMIS.

First Complete Limited, Advance Mortgage Funding Limited, and Personal Touch Financial Services Limited each have regulatory permissions to advise on and arrange mortgages and insurance products for their customers. Personal Touch Financial Services Limited also has regulatory permission in relation to pension and investment advice. First Complete Limited, Advance Mortgage Funding Limited, and Personal Touch Financial Services Limited each act as a principal to a network of appointed representatives.

The following LSL Group companies are appointed representatives of First Complete for mortgage and insurance business:

- your-move.co.uk Limited;
- Reeds Rains Limited;
- First2Protect Limited;
- Mortgages First Limited;
- Insurance First Brokers Limited;
- RSC New Homes Limited; and
- Embrace Financial Services Ltd.

Linear Mortgage Network Limited is an appointed representative of Advance Mortgage Funding Limited for mortgage and insurance business, and is also an appointed representative of Openwork Limited for pensions and investment advice.

LSL's authorised and regulated Financial Services businesses are subject to Financial Ombudsman Service (FOS) jurisdiction and contribute to the funding of the Financial Services Compensation Scheme through regulatory fees and charges.

LSL is an active member of the Association of Mortgage Intermediaries (AMI) which is an industry representative and trade body for mortgage and insurance financial services businesses. Through membership of AMI, LSL engaged in FCA market studies and regulatory consultations during 2020. LSL will continue to engage with the FCA and other relevant regulatory bodies during 2021.

Please also refer to the *Principal Risks and Uncertainties section* of this Report for details of how the Financial Services Compliance Team forms part of the Group's risk management and internal control arrangements, together with details of how the Group describes and mitigates risks and uncertainties relating to regulation and compliance.

Surveying regulation

e.surv Chartered Surveyors are regulated by the Royal Institution of Chartered Surveyors (RICS).

RICS state their focus is on *"those issues our professionals and firms need to get right to offer clients a safe marketplace, inspire confidence, and maintain the reputation of the profession. With regulation staff working in RICS offices around the world, we are ideally placed to be an effective regulator for our global profession."*

Each Chartered Surveyor employed by e.surv has an obligation to fully comply with RICS regulatory standards on matters including ethics, conflict of interest and integrity. In addition, e.surv as a firm is also regulated by RICS to ensure that all the required standards and requirements are delivered.

In order to ensure compliance, e.surv deliver training, guidance and monitoring. These comprehensive processes ensure the delivery of compliant reporting to the entire portfolio of clients.

During 2021, it is proposed to further enhance the oversight of RICS regulations by delivering a formal Annual Assessment of Compliance.

Estate Agency regulation

Residential Sales and Lettings

The Estate Agency Division's branches adhere to the Codes of Practice issued by industry professional and regulatory bodies, including The Property Ombudsman (TPO) and/or the ARLA Propertymark and NAEA Propertymark. Membership of these bodies is in addition to observing compliance with relevant legislation, such as Data Protection, the Consumer Protection Regulations and the Consumer Rights Act; guidance material published by relevant regulators, including the Competition and Markets Authority (CMA) (and its predecessor the Office of Fair Trading (OFT)), the National Trading Standards Estate Agency and Lettings Team (NTSEAL), HMRC; and codes published by other relevant bodies, including the Advertising Standards Authority (ASA). LSL has also on behalf of all its Estate Agency businesses entered into a primary authority agreement with York Trading Standards Office.

LSL's Estate Agency business has in place procedures to monitor and implement any changes to the compliance requirements applied by the regulatory or trade bodies.

LSL from time to time also enters into direct dialogue with the regulators and consumer groups. During 2020 there continued to be significant focus on reforms to the residential property sector and LSL responded to a number of consultations, including providing Group views in relation to the proposed overarching Code of Practice for the sector.

The Estate Agency Division has a dedicated Risk and Compliance Team which together with the Group's Legal Services Team provides support to the Estate Agency businesses. The Estate Agency Risk and Compliance Team is subject to an annual review by the LSL Audit & Risk Committee with the Risk and Governance Director being invited to present to the Audit & Risk Committee each year.

The Estate Agency's Financial Services activities are subject to the oversight of First Complete (see the Regulation element of the *Business Review - Financial Services Division* section of this Report for further details) as the relevant companies are appointed representatives of First Complete.

Please also refer to the *Principal Risks and Uncertainties* section of this Report for details of how the Divisional Risk and Compliance Teams and arrangements each form part of the Group's risk management and internal control arrangements, together with details of how the Group describes and mitigates risks and uncertainties relating to regulation and compliance.

Financial Review

£266.7m
Group Revenue
(2019: £311.1m)

£41.5m
Group Underlying Operating Profit (pre COVID-19 costs)
(2019: £37.0m)

£35.2m
Group Underlying Operating Profit (post COVID-19 costs)
(2019: £37.0m)

£23.9m
Group Operating Profit
(2019: £19.7m)

Income Statement

Group Revenue

Revenue decreased by 14.3% to £266.7m (2019: £311.1m), impacted by COVID-19, the closure in February 2019 of 164 Estate Agency branches to reshape the Your Move and Reeds Rains networks, and the tenant fee ban introduced in June 2019. H1 Revenue (down 25% year-on-year) was particularly impacted during the first lockdown by the mandated closure of the Estate Agency branches, and with no physical valuations permitted to take place, recovering in H2 (down 3% year-on-year) after the reopening of the property market following the first lockdown, with strong activity levels supported by the reduced rates of Stamp Duty Land Tax announced in July 2020.

Total operating expenditure

Total operating expenses decreased by 15.5% to £232.9m (2019: £275.5m). This reduction reflects Government support, reduced payments whilst staff were on furlough, the cancellation of all Executive Director bonuses, severe restrictions on all other senior management bonuses which were limited to a maximum of 5%, reduced sales commissions on lower revenues during the year, the full year cost benefit of reshaping the Your Move and Reeds Rains branch networks in 2019 and savings from a back-office restructure in Surveying.

Further savings resulted from the impact of COVID-19 including reduced marketing expenditure, and office and travel expenses, and other reductions in non-essential expenditure.

Central (unallocated) costs were slightly lower at £5.3m (2019: £5.4m). Executive Director bonuses were not paid for 2020 (2019: £0.7m).

Other operating income

Other income, relating to rental income, was £0.8m (2019: £0.9m), with the decrease resulting from the Group not renewing branch and office head leases reaching the end of their term.

Gain on sale of property, plant, and equipment

A gain on sale of £0.02m (2019: £0.1m) resulted from the disposal of one commercial property, for consideration of £0.1m.

Income from joint ventures and associates

Income from joint ventures and associates was £0.5m (2019: £0.4m). The share of profit after tax in joint venture holdings in LMS and TMG of £1.3m (2019: £1.4m) is included in the Estate Agency Division Underlying Operating Profit, with the £0.8m share of losses after tax from the associate holding in Mortgage Gym included in the Financial Services Division Underlying Operating Profit (2019: £0.9m loss).

Share-based payments

The share-based payment charge of £0.02m (2019: £0.3m) consists of a charge in the period of £1.2m, offset by the lapse of the 2016 SAYE scheme, the partial lapse of the 2018 LTIP scheme and adjustments for leavers and options exercised in the period.

Amortisation of intangible assets

The amortisation charge for 2020 was £5.4m (2019: £5.8m). The decrease was the result of a number of lettings books purchased by the Estate Agency Division reaching full amortisation during the year.

Exceptional items

The exceptional gain of £0.7m (2019: £2.5m) relates to a release in the PI Costs provision, following reassessment of potential liability for future years. The PI Costs provision at 31 December 2020 fell to £7.0m (2019: £8.2m).

Exceptional costs of £7.1m (2019: £15.7m) comprise £2.4m of aborted deals costs, in relation to the potential all-share combination between LSL and Countrywide plc, which did not result in an offer by LSL, £2.7m of transformation costs, relating mainly to restructuring the Surveying back-office to reduce ongoing overheads, and a £2.0m write down of the carrying value of the investment in Mortgage Gym.

Contingent consideration

The credit to the Income Statement in 2020 of £0.5m (2019: £2.1m), mainly reflected the impact of COVID-19 on the new homes sales market, and consequently a reduction in the average earnings used in calculating the contingent consideration provision for RSC and Group First.

COVID-19

The Group received £15.7m from the CJRS, which it used to pay salaries for colleagues placed on furlough during the year. The Group also received property grants of £2.6m and business rates relief of £2.4m.

The Group recognised £6.4m of COVID-19 related costs during the year. These comprised £2.6m of employee costs relating to holiday accruals built up during the national lockdown and redundancy costs, as well as £3.0m for property and other asset costs incurred whilst the national lockdown was in place, net of property grants received, and £0.8m of other costs including PPE.

Group Underlying Operating Profit[1,2] (post COVID-19 costs) was £35.2m (2019: £37.0m) and Group Underlying Operating Profit (pre COVID-19 costs) was £41.5m (2019: £37.0m).

Group Operating Profit

On a statutory basis, Group operating profit increased 21.1% to £23.9m (2019: £19.7m). This increase was largely driven by a reduction in exceptional costs during the year, offset in part by a reduction in exceptional gains and contingent consideration related credits.

Net financial costs

Net financial costs amounted to £3.0m (2019: £3.7m) and related principally to interest and fees on the RCF and the unwinding of the IFRS 16 lease liability. Interest and fees relating to the RCF of £1.2m (2019: £1.6m) were reduced by the significantly lower average net debt position of £22.9m during 2020 in comparison to the prior year which was £52.5m. Finance costs of £1.6m in 2020 (2019: £1.7m) related to the unwinding of the IFRS 16 lease liability. Finance income of £0.1m (2019: £nil) related to loan note interest.

Taxation

A change to the main UK corporation tax rate was announced in the UK Government's Budget on 11 March 2020 and substantively enacted on 17 March 2020. This headline rate applicable from 1 April 2020 remained at 19%, rather than the previously enacted reduction to 17%. Deferred tax is therefore provided at 19% (2019: 17%). Corporation tax is recognised at the headline UK corporation tax rate of 19% (2019: 19%).

The effective rate of tax for the year was 22.0% (2019: 19.0%). The effective tax rate for 2020 was higher than the headline UK tax rate for various reasons including: the depreciation of assets which do not qualify for capital allowances; the impairment of investments in joint ventures and associates; and the upward revaluation of deferred tax liabilities.

Deferred tax credited directly to other comprehensive income was £0.0m (2019: £0.1m). Income tax credited directly to the share-based payment reserve was £0.0m (2019: £0.0m).

In 2020, corporation tax payments of £6.1m (2019: £5.5m) were made, which was greater than the corporation tax charge for the year of £5.1m (2019: £4.0m). This was the result of the change in the timings of corporation tax payments, which require corporation tax liabilities to be settled in the year in which they accrue. As 2020 is the transitional year for this change, the Group has been required to make tax payments in respect of the full estimated current year tax liability, as well as the final instalments in respect of the prior period.

Basic and Adjusted Basic Earnings Per Share

The Basic Earnings Per Share[3] was 15.9 pence (2019: 12.6 pence). The Adjusted Basic Earnings Per Share[3] was 31.9 pence (2019: 28.0 pence), an increase of 13.9%. This is higher than the increase in Group Underlying Operating Profit, as a result of the lower net financial costs used in arriving at adjusted profit after tax.

Balance sheet

Goodwill

The carrying value of goodwill is £159.9m, which has been assessed using models of projected earnings, with no change required to the carrying value (2019: £159.9m). This reflects the continued positive cash generating potential of the Group's cash generating units.

Other intangible assets and property, plant and equipment

Total capital expenditure in the year amounted to £4.1m (2019: £4.9m). The reduction was mainly due to cash conservation measures taken during the lockdown, which focused capital spend on essential projects. LSL continued to invest in technology and the capital expenditure in the year included £1.8m (2019: £1.3m) for further development of the Toolbox platform in the Financial Services divisions and investment by the Estate Agency division in property software.

Mortgage Gym

LSL has been a strategic investor in Mortgage Gym since July 2018, which has developed an innovative digital platform that confirms mortgage eligibility within 60 seconds, matching borrowers with lenders.

During February 2021, Mortgage Gym entered administration. In February 2021, LSL received payment in full settlement of its £2.2m of loan notes and accrued loan note interest from Mortgage Gym's administrators. LSL has written down its investment in Mortgage Gym to £nil as at 31 December 2020, with the write down recognised in exceptional items. LSL acquired the trade and assets of Mortgage Gym from the administrators for a consideration of £2.4m.

Mortgage Gym will strengthen the technology support available to LSL and PRIMIS mortgage advisors, increasing the efficiency of users and help to pre-qualify leads, whilst enhancing the Group's ability to generate leads from third party sources. LSL is currently piloting the technology in the new build market and under the Group's ownership its deployment will be accelerated, enhancing the service proposition to developers and giving LSL the opportunity to grow market share in this sector. It will also bring significant benefits to Embrace Financial Services, increasing the efficiency and productivity of advisers working with LSL and third party estate agency offices.

Financial assets

LSL holds financial assets of £9.6m (2019: £9.3m), comprising convertible loan notes and investment in equity instruments. The increase in the year was substantially due to the net impact of the issuance and part conversion of loan notes to Mortgage Gym.

LSL holds a small number of investments in unlisted companies. The largest investment is an 8.8% shareholding in Yopa Property Limited, a UK based online hybrid estate agent. The carrying value of the Group's investment in Yopa has been assessed, including a review of its latest financial performance, and the valuation remains unchanged from 2019 at £6.5m (2019: £6.5m).

Joint ventures

The Group has two joint ventures: a 33.3% (2019: 33.3%) interest in TM Group, whose principal activity is to provide property searches, and a 50% (2019: 50%) interest in LMS, whose principal activity is to provide conveyancing panel management services. LMS and TM Group are held on the balance sheet at £9.1m and £2.3m respectively (2019: £8.8m and £1.5m). Both joint ventures have resilient business models delivering resilient performances in 2020, despite the impact of COVID-19.

Financial Liabilities

Bank facilities / Net Bank Debt / Liquidity

At 31 December 2020, Net Bank Debt[3] was at a historic low of £1.6m (2019: £41.9m). The resilient performance during 2020 demonstrated the underlying strength of the business and its diversified revenue streams. Stress testing carried out on entry to lockdown assuming significant market stress throughout 2020, indicated the Group would retain sufficient liquidity throughout the year. Careful cash management, with regular stress testing avoided the need for a full RCF draw-down, equity raise, or requirement to request a variation to bank covenants. Adjusting for COVID-19 related payment deferrals, mainly in relation to tax payments due as agreed with HMRC, underlying Net Bank Debt at 31 December 2020 was about £17m.

Cash preservation measures taken included reductions in Capex and non-essential expenditure, annual pay award cancelled, no payment of bonuses to Executive Directors and severe restrictions on all senior management annual bonuses which were capped at 5%, and payment deferrals negotiated. Shareholders did not receive a final dividend for 2019, nor any dividend relating to 2020, which together saved £20.5m had dividends been paid in line with the Board's previous policy. Support from the UK Government was received in the form of CJRS (£15.7m) and rates grants (£2.6m).

On 24 February 2021, LSL announced a new banking facility, providing the Group with balance sheet flexibility to take advantage of growth opportunities, particularly in financial services. A £90m committed revolving credit facility, with a maturity date of May 2024, arranged on competitive terms, replaced the previous £100m facility that was due to mature in May 2022.

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

The new facility is provided by Barclays Bank PLC and Santander UK plc, who are two long-standing banking partners, alongside NatWest Bank plc, who we welcomed to the banking syndicate. LSL already has a strong and long-standing relationship with NatWest Bank plc, through its Financial Services and Surveying Divisions.

Shareholders' funds amounted to £157.8m (2019: £141.2m), with balance sheet gearing of 1.0% (2019: 29.7%). The 2020 gearing level[4] was 0.03 times Group Adjusted EBITDA[5] (2019: 0.8 times). Adjusting for the impact of IFRS 16 leases, 2020 gearing was 0.03 times (2019: 1.0 times).

Deferred and contingent consideration

Within financial liabilities, LSL has £0.1m (2019: £0.1m) of deferred consideration and £5.4m (2019: £5.8m) of contingent consideration. The contingent consideration relates primarily to the estimated cost of acquiring the remaining shares in Group First (£1.5m for the remaining 5%) and RSC (£3.7m for the remaining 40%).

Provisions for liabilities:

Professional indemnity (PI) claim provision

At 31 December 2020, the total provision for historic PI Costs was £7.0m (2019: £8.2m). In 2020, the Group continued to make progress in addressing historic claims and there was a net £0.7m exceptional gain. The impact of COVID-19 has slowed the rate of progress in reducing the overall PI liability and the number of PI valuation cases outstanding compared to previous years.

Net assets

The Group's net assets as at 31 December 2020 were £157.8m (2019: £141.2m).

Statement of cash-flows

The Group generated cash from operations of £66.3m (2019: £38.8m) at a cash-flow conversion[6] rate of 159% (2019: 105%). The increase in conversion from 2019 was a result of both the increase in trade and other payables of £13.6m (2019: decrease of £6.2m) and a decrease in trade and other receivables of £8.6m (2019: increase of £5.5m), as well as £18.3m received from the Government. The trade and other payables increase, was largely due to COVID-19 related payment deferrals, mainly in relation to tax payments as agreed with HMRC. The reduction to trade and other receivables, was the result of higher collections during December 2020. Provisions decreased by £1.5m (2019: decrease of £3.9m), due to the positive progress in addressing historic PI claims.

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 Financial Reporting Standards (IFRS)

The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the EU.

Notes:

[1] Group Underlying Operating Profit is before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments (as defined in Note 5 to the Group Financial Statements)

[2] Refer to Note 5 to the Group Financial Statements

[3] Refer to Note 33 to the Group Financial Statements for the calculation

[4] Operational gearing is defined as Net Bank Debt divided by Group Adjusted EBITDA[5]

[5] Group Adjusted EBITDA is Group Underlying Operating Profit plus depreciation on property, plant and equipment (as defined in Note 5 to the Group Financial Statements)

[6] Cash-flow conversion is defined as cash-flow from operations (pre PI and exceptionals) divided by Group Underlying Operating Profit

Stakeholder Engagement Arrangements

This section of the Report details how LSL engages with its stakeholders and how the Board has regard to its stakeholders in its decision making arrangements.

The Group's key stakeholders are identified as:

- employees;
- customers;
- suppliers;
- regulators; and
- Shareholders.

While other stakeholder groups exist and are regularly considered, the reporting below focuses on the above key groups. The Board reviews at least annually the Group's key stakeholders and arrangements for engagement with them.

Additional information relating to stakeholder engagement arrangements is also included in the *Environment, Social and Governance Report* and the *Corporate Governance Report* sections of this Report. Information included in this section and elsewhere in the Report is provided in accordance with relevant legislation and *the Code*.

Stakeholder Engagement – in accordance with relevant legislation and the Code:

Set out below is a description of how the Directors have engaged with the Group's workforce in 2020 and how the Directors have had regard to the need to foster LSL's relationships with all key stakeholders including suppliers, customers and regulators during the year.

Employee Engagement:

During 2020, the Board continued to embed improvements to its governance arrangements in relation to employee engagement. A review of Board reporting on employee engagement matters took place during the year and the output of this review included the launch of pulse surveys to measure employee engagement across the Group and the launch of the Group's ESG programme including establishing the employee Inclusivity and Diversity and Communities Forums (see below and the *Environment, Social and Governance Report* for further information).

During 2020, employee pulse surveys were conducted on several topics including equality and diversity, team working and empathy, performance management and communications. The results of each employee pulse survey were reported to the Board as part of the Group Chief Executive Officer's regular Board reporting. Indicators of business performance are reported to and monitored by the Board through the Group Chief Executive Officer's regular Board reporting and this includes employee engagement matters.

Since his appointment as Group Chief Executive Officer, David Stewart has also communicated directly with the Group's employees through a series of letters which have covered a range of topics, including his appointment, matters relating to the COVID-19 pandemic and its impact on the Group and the Group's performance.

In relation to principle D and provision 5 of *the Code*, Darrell Evans is the independent Non Executive Director for workforce engagement. As part of Darrell's role, he engages with LSL's Group Employee Engagement Forum and receives support fulfilling his role from the Group HR Director and the Company Secretary.

The Group Employee Engagement Forum operates as the vehicle for Darrell to engage in a regular two-way dialogue with the Group's workforce. This dialogue includes Darrell's attendance, at least annually, at meetings of the Group's Employee Engagement Forum and this engagement assists Darrell in providing employees' perspectives in Board discussions. During 2020, Darrell attended two meetings of the Employee Forum to discuss the Group's response to the COVID-19 pandemic in addition to other matters including: inclusivity and diversity matters; and the use of further employee engagement mechanisms. The Employee Engagement Forum's membership consists of a cross section of employees working at varying levels from across the businesses of the Group. See also the *Corporate Governance Report* in this Report for further information.

In 2020 the Employee Engagement Forum discussed the inclusivity and diversity elements of the Group's ESG programme, and a process commenced towards the end of 2020 to establish two new employee forums: the Inclusivity and Diversity Forum; and the Communities Forum. Both forums report directly to the Group Chief Executive Officer and they are linked into the Group's ESG programme. Applications for the membership and chair of both these forums is open to all Group employees.

Having been established in the final quarter of 2020, the two new forums held their first meetings in the first quarter of 2021. The Inclusivity and Diversity Forum's remit includes championing inclusivity and diversity across the business, and the discussion and review of working practices and processes with the aim of recommending improvements to create a more diverse and inclusive culture.

The Communities Forum aims to develop and improve how the Group's businesses can each support colleagues with charitable, community and other voluntary initiatives and find new opportunities for the Group to support. Arrangements are in place for the three employee forums to regularly share feedback and comment with one another. See also the *Environment, Social and Governance Report* in this Report for further information

The Board also receives employee feedback via the Group's pulse surveys (see details above) and the employee opinion survey. The employee opinion survey is undertaken across all parts of the Group's businesses on an annual basis. The employee opinions that are captured are then presented to the Board as part of a regular review of employee matters which focuses on considering issues relevant to the Group's employees. Details of further communication with employees (including information relating to the employee survey) can be found in the *Environment, Social and Governance Report* and *Report of the Directors* sections of this Report.

Employee considerations are also taken into account by the Board in its decision making process. See also the *s172 Statement* included below for examples of how employee considerations were taken into account in relation to the Board's decision making during 2020. The *Environment, Social and Governance Report* in this Report describes how the Board communicates with the employees in relation to Group affairs.

Shareholders:
LSL consults and meets with Shareholders to take into account their views.

As a result of the COVID-19 pandemic leading to the imposition of severe restrictions on public gatherings, Shareholders were not permitted to attend the 2020 AGM in person. In order to enable Shareholder engagement with the AGM in these circumstances, the AGM Notice encouraged Shareholders to submit questions relating to the business of the meeting to the Board by email. Further, during the year, meetings took place via video conference facilities between Board members and Shareholders. Directors also receive regular information on Shareholder views and market sentiment via the Group Chief Executive Officer's and Group Chief Financial Officer's Board reporting.

Customers:
Each Division monitors KPIs relating to customer service. By monitoring customer service data, the Group is able to take into account customer views regarding its products and services. The Board will also, as part of presentations by each of the Divisions during the year, receive reports on customer feedback, which includes consumer surveys and feedback from key lender clients.

Suppliers:
The Group manages its key suppliers through supplier management protocols which include reviews of contractual performance. The Board will also as part of Management's reporting, including Special Business presentations, receive information relating to key supplier engagements. During 2020 the Board received updates from Management in relation to supplier management in the context of the COVID-19 pandemic.

Regulators:
The Board receives regular reporting from Management on contact the Group has had with regulators. LSL's regulators include the FCA, HMRC, ICO, TPO and RICS. The Group also engages with regulators by participating in and contributing to consultations which are relevant to LSL businesses. LSL also participates in discussions with the Bank of England from time to time regarding business activity and market conditions.

Other stakeholder considerations are also taken into account by the Board in its decision making process. See also the *s172 Statement* included below for examples of how employee considerations were considered in relation to the Board's decision making during 2020. The *Environment, Social and Governance Report* in this Report also describes how LSL businesses communicate with customers and suppliers.

s172 Companies Act 2006 Statement:
Set out below is LSL's statement on how Directors had regard to stakeholder considerations in relation to two Board decisions during 2020. Section 414CZA of the Companies Act 2006 requires the inclusion in this Report of a statement describing how the directors have had regard to the stakeholder matters set out in section 172 (a) to (f) of the Act when performing their duty to promote the success of the company under that section.

As outlined in the *Corporate Governance Report* in this Report, LSL has in place a *Matters Reserved for the Board Policy* which sets out what the Board is primarily responsible for; and as such, which decisions require Board approval, and which are delegated to Management or Board committees. Members of the Board receive regular updates on their duties and responsibilities as Directors of the Company which help inform their decision making.

In addition, in order to support the Board in carrying out its duties under s172 of the Act, Board reporting protocols require Management to identify the stakeholder groups impacted by the proposals they submit to the Board for approval and provide details of the potential impacts that decisions could have on identified stakeholder groups.

The two examples below demonstrate how the Board had regard to stakeholder considerations in relation to principal decisions made during the year.

Example 1: LSL COVID-19 Response:
As outlined in LSL's trading update issued on 5 June 2020, the Board approved a series of measures for the Group in order to respond to the COVID-19 pandemic and the associated national lockdown that commenced on 23 March 2020. The Group's response to the COVID-19 pandemic was a significant issue for the Board during the year as the national lockdowns implemented by the Government impacted on operations and caused significant uncertainty in the UK economy and the markets in which the Group operates.

The measures taken included:

- Implementation of the annual pay review suspended for all Directors and employees.
- All Board and Executive Committee members agreeing a voluntary reduction of up to one third in salary and fees from 1 April 2020 (which was kept under review by LSL's Remuneration Committee and subsequently repaid when LSL's trading conditions and financial performance continued to improve).
- In response to the drop in transaction volumes, as at 30 April 2020 73% of the Group's employees were put on furlough, as part of the UK Government's Coronavirus Job Retention Scheme.
- All discretionary expenditure was halted, and improved terms were negotiated with a number of key suppliers.
- Residential Sales exchange income and Lettings income from new instructions for essential pipeline transactions were secured in line with Government guidance.
- Implementation of non-physical (remote) valuations with the majority of lender clients to allow a proportion of revenue to be secured.
- Focus on meeting consumer demand for remortgage and protection products in Financial Services businesses.

In approving these measures the Board had regard to key stakeholder related factors.

Employees, Customers and the Wider Community – Health:
Safeguarding the health of Group employees, customers and the wider community was regarded as a high priority consideration in all aspects of the Board's decision making in relation to the Group's COVID-19 response.

Employees:
In addition to the health considerations outlined above, the Board considered the impact on affected employees of being furloughed; including the impact of a reduction in their incomes, mental health considerations, and the impact on the remaining employees of having colleagues furloughed (i.e. potential employee stretch caused by having an increased work load and responsibilities).

The Board also considered the impact that suspending the annual pay review and implementing voluntary pay reductions for some employees could also have on their financial arrangements.

Customers:
In addition to the health considerations outlined above, the Board considered the following:

Lender clients – the Board considered and reviewed feedback from lender clients in developing the remote valuation proposition by the Surveying and Valuations Division.

Residential Sales and Lettings customers – the impact of the arrangements put in place for customers, such as virtual viewing, were assessed by the Board as part of their decision making process.

Suppliers:
The Board considered the impact that renegotiating terms with key suppliers could have on these suppliers, for example in relation to their cash-flow, when discussing this measure. The impact of the measures on smaller suppliers was a particular consideration and arrangements were put in place, so that smaller suppliers continued to be paid in line with their usual contractual terms.

The Group's Banking Syndicate:
The Board considered the interests of the Group's banking syndicate as being significant in defining LSL's COVID-19 response measures and ensured actions were implemented to safeguard cash and manage liquidity in a sustainable way which was in line with the banking covenants agreed with the syndicate.

Shareholders and the long term success of the Company:
The Board considered that the overall package of measures it put in place during this time of particular macroeconomic uncertainty would optimise the Group's short term financial performance whilst also retaining capacity to take early advantage of any market improvement; and as such agreed that the measures were in the interests of Shareholders and the long term interests of the Company.

Example 2 – 2021 Group budget:
During 2020, the 2021 Group budget was presented to the Board by Management for challenge, review and approval.

The budget outlined the target profit figures that the Group aims to deliver for the 2021 financial year in the context of the Group's strategic plan; as well as the associated costs and resources required in order to deliver these targets.

The budget was prepared against the backdrop of the COVID-19 pandemic and was focused on future growth that could be gained from opportunities in the market. A number of different scenarios were also modelled as part of the budget process in light of the uncertainties arising from the COVID-19 pandemic. The Board also recognised the importance that it retained flexibility and undertook regular reviews of the budget during 2021 considering the uncertain environment.

The Board reviewed and approved the 2021 budget in December 2020. In approving the 2021 budget, the Board had regard to the following key stakeholder considerations in its decision making:

Customers, suppliers, employees and the community:

The Directors, in their review of the 2021 budget, gave consideration to the impact that key aspects of the 2021 budget could have on relevant stakeholders. The stakeholders considered were: customers, suppliers, employees and the wider communities that the Group businesses operate within. In particular, consideration was given to: how the budget supported the provision of services to customers and the remuneration structure and opportunities for employees.

Shareholders and the long term success of the Company:

The Board considered that the 2021 budget was balanced between current operating performance and driving longer term strategic development to enable future growth, and as such concluded that approval of it was in the interests of Shareholders.

LSL's governance

The successful delivery of the Group's strategic objectives depends on effective identification, understanding and mitigation of its principal risks and uncertainties. The Board has overall responsibility for managing risk and is supported by the Audit & Risk Committee.

The Group has a framework for managing risks and a system of internal controls to mitigate them. Through this framework, the Board regularly identifies, evaluates and manages the Group's principal risks and uncertainties, as well as factors which could adversely affect the delivery of strategy and financial liquidity.

LSL's risk management framework

LSL has developed its risk management framework in line with the Board's risk framework policy and associated risk appetite measures. The policy defines governance structures and control functions which support Board decision making, including the definition of individual risk management statements for LSL's principal risks and uncertainties. These statements provide parameters within which the Board typically expects LSL's businesses to operate, enabling a structured consideration of the risk-reward trade-off for decisions about how the Group does business. This includes monitoring risk measures and identifying actions to bring any outlying areas of risk within target levels.

The Group's risk management routines are underpinned by a boardroom culture which promotes risk assessment and management in decision making. During 2020, the Group has continued to promote and support the enhancement of risk frameworks within the Group's Divisions, including each subsidiary company and business area maintaining risk appetite measures. Every year, each subsidiary quantifies its highest ranked risk areas and routinely provides the Audit & Risk Committee with management information. These structures enable the subsidiary boards and governance committees within each Division to track risk status versus tolerance and to identify emergent topics. The framework continues to improve the visibility of action plans to address any core risk areas considered outside tolerance.

Risk management activities in 2020 included creating an Executive Risk Management Committee, which reports to the Group Chief Executive Officer. Its first meeting took place in January 2021 and its members are the Group Chief Executive Officer, Group Chief Financial Officer, Company Secretary, Group Internal Audit Director, Group Financial Controller and the three senior Divisional Risk and Governance roles. The Committee's objective is to share best practice, foster debate and identify actions to make the Group's risk management activities more effective and to further align relevant Group and Divisional risk management arrangements. 2020 also saw the inception of a Financial Services Oversight Committee, providing a new governance forum attended by both senior Group and Divisional representatives, and the launch of the Group's ESG programme.

Focus during the year

During 2020, the Directors carried out a robust assessment of the principal risks and uncertainties facing the Group, including emerging areas and those that could threaten the Group's business model, future performance, solvency or liquidity. The Directors believe that the assessment they completed was appropriate for the Group's complexity, size and circumstances, which is a matter of judgement for the Board and has been supported by the Management Team.

The Directors also carried out a risk appetite assessment, which involved evaluating continually evolving aspects of risk management. During 2020, this assessment included a focus on the following activities:

a. creating a new risk-focused governance forum, the Executive Risk Management Committee, as described above;

b. introducing a dedicated strategy team with a focus on acquisitions and growth initiatives, to ensure they are in line with the Group's strategies and risk appetite;

c. assuring the connectivity, security and resilience of Group IT and IS systems, following the move to mass home working during the COVID-19 pandemic and the implementation of local and national lockdowns;

d. scenario modelling, to manage COVID-19 influenced market effects on working capital requirements and compliance with the Group's banking facility covenants;

e. flexing the focus of internal audit assurance routines during the COVID-19 crisis, to ensure the most pressing risk priorities are given sufficient and timely attention;

f. reviewing the structure of Divisional operations, which resulted in Embrace Financial Services transferring from the Estate Agency Division to the Financial Services Division for reporting and oversight;

g. consolidating the Financial Services Management Committee and the Financial Services Risk Committee into a single Financial Services Oversight Committee, chaired by an independent Non Executive Director, to strengthen and simplify the risk agenda within governance routines;

h. responding to an evolving regulatory environment, which reflects the housing sector's priority on the Government's agenda;

i. considering scenarios of further major political and economic change that could affect the UK housing market, including the impact of COVID-19 and Brexit; and

j. reiterating health and safety as a top priority and emphasising a culture of zero tolerance for risk management routines that allow any significant patterns of non-compliance.

Future focus

During 2021, the Group's areas of focus will include:

a. developing the role of its new Executive Risk Management Committee, to further improve the maturity of governance routines to support challenge and debate around risk-related metrics and the effectiveness of responsive mitigation measures;

b. continued monitoring of risk areas heightened by the COVID-19 pandemic, including the resilience of technology, safety of employee working arrangements, remote sales conduct and market impacts on financial modelling projections;

c. further evolution of the ESG framework;

d. ongoing development of subsidiary data protection and information security related risks, as part of established routines at relevant governance committees; and

e. a revisit by the Group Risk and Internal Audit Team of second-line risk management routines.

Further information about how LSL managed its risks and uncertainties during 2020, and the underlying risk management framework applied, is set out in the *Audit & Risk Committee Report (Internal Controls)* section of this Report.

Principal Risks and Uncertainties

During 2020 the Board undertook a robust assessment of the principal risks that could seriously affect the Group's prospects or reputation. The Group governance environment supporting these routines includes a *Group Risk Framework Policy*, the Executive Risk Management Committee and a 'three lines of defence' oversight structure. The Group regularly assesses established and emerging risk areas within this framework, including matters that could threaten LSL's business model, solvency or liquidity, as well as its delivery of strategic objectives. This analysis of principal risks and uncertainties has also contributed to the Group's financial viability statement, which follows this table.

	Risk description/ inherent trend Risk status	Potential impact	Mitigating actions
Strategic:			
1	**COVID-19 virus** ***Improving***	The future course of the COVID-19 virus is uncertain. Future consumer confidence could be adversely affected by recurrent waves in levels and variants of the virus, particularly if the effectiveness of vaccination programmes and industry support measures is not sustainable. There are risks of infection to LSL employees and customers and non-compliance with health and safety requirements. Inefficiencies caused by Government restrictions, such as lockdowns or other similar arrangements, may affect customer servicing, working arrangements, technology connectivity and resilience.	• Adaptable working arrangements and customer service mediums in place, to maximize income generation. • Responsive measures implemented to reduce costs and conserve cash, including stress testing scenarios and response plans. • Government support for companies secured during the COVID-19 pandemic. • Agile business continuity plans in place to promote secure technology connectivity. • Health and safety at work arrangements implemented for home, office and site visit locations, to ensure safe environments for employees, customers and other relevant stakeholders.
2	**UK housing market and mortgage lending** ***Stable***	Group performance and liquidity is sensitive to the UK housing market and the availability of mortgage funding, which in turn are influenced by external events such as COVID-19 and Brexit.	• The Group's increasingly diversified revenue streams and financial services growth led strategy, will lessen the Group's dependency on housing market transactions. • Strategic investment in counter-cyclical and stable revenue streams, including ones less correlated with the number of housing transactions and mortgage availability. • Cost base can be scaled to mitigate cyclical trends. • Budgets and stress tests of market activity scenarios carried out and compared against the Group's financing constraints and covenants, with mitigation plans developed. • Balanced UK-wide spread of Group activities to avoid over-exposure to local market factors. • Viability of business associates (such as appointed representatives and franchisees) monitored during market downturns, along with any potential knock-on effects on overall market conditions.
3	**Market disruption** ***Decreasing***	The Group is exposed to competitive pressures from market participants, including new entrants, disruptor business models and new combinations.	• Strategies and operating models developed in response to market disruptors, including monitoring of investment targets to capitalise on digital opportunities and alternative ways of working. • Continued infrastructure investment, including in innovation and technology, involving upgrading, consolidating and replacing core or legacy operating systems to increase functionality, improve customer experience, reduce costs and deliver efficiencies. • Enhancements to product development, mediums and service delivery identified and implemented, together with product/services differentiation and post-launch learning initiatives.

	Risk description/ inherent trend Risk status	Potential impact	Mitigating actions
4	**Execution of growth strategy** ***Increasing***	Weaknesses in decision making or implementation could mean that investments, acquisitions and major projects fail to deliver the Group's overall strategic aims.	• The Group's clear strategic aims are underpinned by an articulated risk appetite, measurable goals and tracking of delivery. • Management holds comprehensive and regular strategic discussions with the Board and professional advisors as necessary. • The Group Strategy Team focuses on delivering strategic opportunities, with structured due diligence and integration protocols, and is headed by the Group Chief Strategy Officer with oversight from the Group Chief Executive Officer led Investment Committee. • Divisional strategy teams identify opportunities to support the execution of Group aims. • Stress testing completed ahead of all significant investments and acquisitions. • Lessons from post-investment appraisals and internal audits are implemented, with governance through an Investment Committee.
Sales/distribution:			
5	**Professional Services** ***Stable***	The Group may be exposed to significant Professional Indemnity claims arising from lapses in the delivery of professional services across all operating Divisions.	• Top-down culture promotes effective sales conduct and positive customer outcomes. • Robust Group insurance arrangements in place. • Focus on mainstream lending and products for surveying and valuation services, as part of risk appetite formulation, on-boarding and product profiling routines. • Emphasis on risk characteristics such as loan-to-value thresholds, for valuation quality assurance checks. • The PRIMIS network no longer supervises firms who provide wealth advice. • Experienced internal complaints teams, claims handling and legal specialists mitigate payout levels, with Board level oversight and engagement with professional advisors as necessary. • Dedicated Divisional governance teams provide risk management frameworks to manage future exposure, strengthened further by independent Risk and Internal Audit reviews.
6	**Client contracts** ***Stable***	Loss of key 'B2B' client(s) within the Surveying and Valuation Division, influenced by factors such as service delivery or competitive pressures.	• Strong culture promotes strong service delivery. • Robust control framework supports the risk profiling of prospective clients, contract renewals (including contract terms) and product portfolio variations. • Client dependency, service levels, risk and compliance with contractual requirements are monitored. • Innovative investment in resources, technology, new products/ mediums and service standards, ensures LSL has the capacity to meet and exceed service level demands. • Designated senior members of staff have responsibility for relationship management at subsidiary and Group levels. • Framework in place to ensure lessons from bids and instructions are identified and actioned.

	Risk description/ inherent trend Risk status	Potential impact	Mitigating actions
Operations:			
7	**Business infrastructure (including technology)** ***Stable***	Failure to maintain resilient technology systems that support strategic objectives and promote competitive advantage could affect the Group's reputation and performance.	• Focus on innovative technology based investments as part of Board strategy setting and selection of investment opportunities. • Group technology governance, policies, base standards and initiatives in place, including oversight from the Data and Information Security Committee, Internal Audit and external specialists as necessary. • Group has readily implementable business continuity and disaster recovery solutions, which meet contractual and regulatory requirements and encompass technology, premises, transportation, telephony and employees. • Robust vetting of third party dependencies, such as cloud back-up providers. • Adaptability of technology connectivity to home working and multi-site mass redeployment of employees demonstrated during the COVID-19 pandemic. • Business interruption insurance maintained. • Consolidation of technology systems to harness scale and simplification benefits across brands and functions, such as the rollout of Toolbox across Financial Services.
8	**Information security (including data protection)** ***Increasing***	A major data loss could lead to reputational damage and regulatory exposure.	• Data and Information Security Committee established with base policy implementation, annual effectiveness review, attestation exercises and 'three lines of defence' oversight responsibilities. • Dedicated information security specialists and Data Protection Officers in place across all operating Divisions, to monitor Group GDPR compliance. • Group data protection policies, reporting framework and training are supported by in-house legal and compliance teams. • System security supported by penetration testing, intrusion scanning programme, access control framework, secure back-ups and encryption of key data. • Cybercrime insurance in place. • Benchmarking and accreditation exercises employ best practice standards, such as *CyberEssentials* and *ISO27001*.

	Risk description/ inherent trend Risk status	Potential impact	Mitigating actions
9	**Regulatory and compliance** ***Increasing***	The Group is required to comply with various legal and regulatory requirements. Any significant compliance breaches could result in material financial sanctions and reputational damage. The regulatory landscape involves FCA authorisation and significant areas of emergent reform (e.g. estate agency), with relevant stakeholders including customers, employees and business associates.	• Top-down management culture focuses on fairness, transparency, health and safety and delivery of robust customer outcomes. • *Group Risk Framework Policy* applies a 'three lines of defence' oversight model, supported by the recently introduced Executive Risk Management Committee and Divisional governance forums. • Group ethics policies such as whistleblowing structures, anti-fraud and anti-bribery policies in place, along with employee welfare initiatives. • Conduct risk specialist skillsets strengthened within Financial Services oversight functions and a Financial Services Oversight Committee launched, to promote transparency of risk-related matters across senior plc and Divisional attendees. • Investment across all Divisional second-line Risk and Governance teams, to ensure a robust framework to detect and address risks outside tolerance. A dedicated Group Tax Manager is also in situ. • Health and safety arrangements and Group reporting framework cover the welfare of employees and visitors to Group premises. Group communicates its zero tolerance for weaknesses leading to material health and safety breaches. • Group maintains open dialogue with regulators and monitors complaints, emerging developments and regulatory reforms. • In-house legal team in place, with access to specialist external legal advice when necessary.
10	**Environmental, social and governance (ESG)** ***Increasing***	Inability to establish and deliver appropriate ESG performance criteria, impacting adversely on the productivity, sustainability, societal performance and investment returns of the LSL Group.	• Group risk management policies and framework. • In-house legal services and company secretarial teams supporting the programme. • Implementation of an ESG programme sponsored by the Group Chief Executive Officer. • Establishment of Group employee forums: Employee Engagement Forum; Communities Forum and the Inclusivity and Diversity Forum. • Adoption of recruitment policies to promote diversity and manager training to address any unconscious bias in recruitment. • Environmental reporting and control framework, including environmental policy benchmarks, Energy Saving Opportunity Scheme reviews and carbon reduction initiatives. • Staff wellbeing initiatives – e.g. employee assistance programme, healthcare, training and cycle schemes. • Establishment of arrangements for the collection of customer and colleague feedback. • Whistleblowing arrangements including 'speak out' awareness and training.

	Risk description/ inherent trend Risk status	Potential impact	Mitigating actions
People:			
11	**Employee resources and talent** ***Increasing***	Failure to attract, develop and retain talented employees could affect the Group's ability to deliver its objectives, particularly in key strategic areas.	• Remuneration and Nominations Committees provide oversight, supported by the Company Secretary and Group HR Director. • Group remuneration policies and incentive schemes in place, to retain key strategic populations. • Regular benchmarking and appraisals assess the strengths of the Executive Directors and senior management. • Succession planning reviews and targeted development programmes in place for high achievers. • Coherent change management framework utilised, to ensure talent is in place ahead of impacts caused by strategic delivery. • Group HR has dedicated in-house talent acquisition teams, to support targeted retention and recruitment initiatives. • Staff surveys, workforce engagement, culture assessments and welfare initiatives used to identify and address pressures. • Dedicated Group-level acquisitions and strategic appointments limit the impact of strategic activities on management required to deliver day-to-day operations and mitigate management stretch risks. • Monitoring of statutory reporting requirements and developments (such as gender and ethnic pay reporting) and impact of new tax regulations, for example IR35.

Viability Statement
In accordance with provision 31 of *the Code*, 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.

Assessment of prospects
The Group's business model and strategy are central to understanding its prospects and details are included in the *Strategy* and *Business Model* sections of this Report.

The Group's key objective is to build market-leading positions through organic growth, selective acquisitions and high quality services for customers, and ultimately deliver long term Shareholder value.

The Board assesses the Group's prospects at its meetings throughout the year, with a particular focus during the strategic planning process. This process includes an annual review of the ongoing plan, led by the Group Chief Executive Officer and Group Chief Financial Officer, in addition to the relevant business functions involved.

The Directors participate fully in the annual planning process by means of a Board meeting. Part of the Board's role is to consider whether the plan continues to take appropriate account of the changing external environment, including macroeconomic, political, regulatory and technological changes.

This process allows the Board to produce strategic objectives and detailed financial forecasts over a three year period. The latest updates to the ongoing plan were finalised in December 2020. This considered the Group's current position and its prospect of operating over the three year period ending 31 December 2023, and reaffirmed the Group's strategy. The Group's financial position has been further strengthened with the extension of the RCF, which was renewed in February 2021 for a period up to May 2024.

COVID-19
Risks relating to the future course and impact of the COVID-19 pandemic and related vaccination programmes are assessed on an ongoing basis. The Group will continue to consider any guidance issued by the FRC in relation to its assessment of and reporting on the impact of the virus.

The COVID-19 pandemic has made it more difficult to forecast accurately. The Group's approach will ensure that any impact of the COVID-19 pandemic on its operations, including restrictions arising from national or local lockdowns or similar arrangements, will be closely monitored and the risk status regularly reassessed, with action plans identified in response, as well as regular scenario modelling.

The description of the Group's principal risks and uncertainties was reviewed and updated to take into account the COVID-19 pandemic in the 2019 Annual Report and Accounts, which it continues to reflect.

Brexit

The Group's initial impact assessment and ongoing monitoring of the Brexit process allows it to regularly reassess the risk status and identify actions to respond to any market effects or uncertainty resulting from the free trade agreement reached between the UK Government and the EU on 24 December 2020, or the continuation of the process.

Assessment of viability

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

For the purposes of assessing the Group's viability, the Board determined that a three year period ending on 31 December 2023 should be used, as this is consistent with the Board's strategic planning cycle. This assessment has been made with reference to the Group's current position and prospects, the Board's risk management framework and the Group's principal risks and uncertainties.

In assessing the Group's prospects, the Board has relied on a base case financial forecast which has been stress tested by overlaying a number of severe but plausible scenarios. Several different scenarios were considered and two of these were modelled in detail, with input from across a functional group of senior managers, including representatives from the finance teams. The base forecast and scenarios assume all three Divisions continue to operate.

The scenarios reflected the following risks:

- a severe downturn in LSL's markets, close to the levels seen during the financial crisis in 2008, caused by either, or a combination of, COVID-19, Brexit and/or political, economic or other uncertainties; and
- a combination stress test, including the loss of a major contract in the Surveying and Valuation Services Division, a more severe downturn in the housing market affecting all operations, a Surveying PI risk event and a one-off regulatory fine following a data breach.

Detailed assumptions for each scenario were built up and modelled by month across the three year period. The models measured the downside impact on revenue and the actions management would take to retain cash reserves and maintain the operating capacity of the business.

Assumptions were also made for the stability and potential growth of LSL's recurring income and counter-cyclical businesses, notably mortgage and protection renewals, lettings and asset management, and the extent to which some activities, such as delivery of remote valuations, could be quickly ramped up in extreme market conditions. The modelling and assumptions took account of the Group's broad range of services across a wide geography, which allows some protection from the impact of stress scenarios.

Liquidity and covenant headroom

The results from 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 2023. Under all of the modelled scenarios, positive liquidity headroom exists throughout the going concern period and to the end of the planning period in December 2023. Funding for the Group has been further strengthened with the extension of the RCF, which was renewed in February 2021 for a period up to May 2024.

Viability statement

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

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

Furthermore, 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 contained within the *Financial Statements* of this Report.

The Audit & Risk Committee oversaw the process by which the Directors reviewed and discussed the assessment undertaken by the Management Team in proposing the viability statement.

Environmental, Social and Governance (ESG) Report

The Board recognises the importance of Group companies operating responsibly and upholding the principles of corporate social responsibility (CSR) and ESG. The fundamental principles of responsibly grounded business decision making are therefore central to all Group operations. This means considering the potential impacts of corporate actions on stakeholders, including employees, customers, local communities and the environment. LSL actively ensures that its businesses are compliant and proactive in respect of legislation and other obligations such as the *Code*, and considers the potential for activities over and above such requirements.

ESG in 2020 (see below) details how LSL performed in the year, including the changes to the Group's working practices as a result of the COVID-19 pandemic, managing its stakeholder interests and balancing the demands of a public company with that of a provider of services and advice to customers. To reflect the Group's focus on the broader topics of ESG, reference in this Report to activities during 2020 are intended to include references to CSR, unless stated otherwise.

Future Developments (see below) details how LSL is approaching the development of a new long term programme, focused on ESG and sponsored by the Group Chief Executive Officer, which builds on the ESG strategy work started in 2020 and reflects the importance of ESG to the Board.

Unless otherwise specified, information in this section of the Report is as at 31 December 2020.

The following tables indicate the Board's responsibilities relating to, and key stakeholders' relationships with, ESG matters.

BOARD ESG ROLES AND RESPONSIBILITIES

Board Position	Responsibilities relating to ESG
Group Board	The Board has overall responsibility for the Group's ESG programme, strategy and associated policies.
Group Chief Executive Officer	The Group Chief Executive Officer is responsible for implementing and overseeing the Group's ESG programme. As part of its regular risk assessment procedures and decision making, the Board takes account of the significance of ESG matters to the Group, assessing their impact on short and long term value, as well as opportunities to enhance value. The Board also receives information and training on relevant ESG matters as appropriate. The Board ensures that LSL has effective systems for managing and mitigating significant ESG risks which, where relevant, incorporate performance management systems and appropriate remuneration incentives. Further details on LSL's internal controls and risk management arrangements are found in the *Principal Risks and Uncertainties* section of this Report.
Darrell Evans, Non Executive Director	Designated Non Executive Director with respect to workforce engagement (appointed in 2019 in accordance with *the Code*). Further details of the Board's employee engagement activities can be found in the Stakeholder Engagement Arrangements and Corporate Governance Report sections of this Report.

STAKEHOLDERS

For further information relating to stakeholder engagement, see the *Stakeholder Engagement Arrangements* section of this Report.

Stakeholders	Relationship with ESG
Stakeholders (General)	LSL takes stakeholder expectations into account and seeks to demonstrate its performance against these expectations.
Shareholders	LSL believes that the objective of providing services people need while returning a profit to Shareholders can and should be entirely compatible with the Group meeting its ESG strategy.
Employees	Employees are central to the successful development and realisation of LSL's ESG strategy, including social, environmental and community investment and the formation of ESG objectives. Guidelines, consultations, progress and achievements are communicated at regular intervals through bulletins, intranet sites and notice boards as appropriate, including the Group HR online services systems.
Customers and Clients Suppliers and Distribution Partners	LSL's social responsibilities extend to its relationships with customers, clients, suppliers and distribution partners. All Group companies seek to be honest and fair in these relationships. Ethics, hospitality and conflicts policies are also in place to support the businesses and govern these relationships. See *Social and Community Interests* below.
Local Communities	As a national organisation in locations across the UK, LSL has an opportunity to develop relationships with local communities that expand its positive engagement and contribution.

FUTURE DEVELOPMENTS

The Group Chief Executive Officer is sponsoring a long term programme to develop and implement LSL's ESG strategy. The programme began in 2020 and will continue into 2021 and beyond.

This work has included reviewing the Group's current contributions to sustainability, ranging from its environmental programme to inclusion and diversity and local community support. This fully considers LSL's duty to deliver value for its Shareholders, while acting ethically and sustainably and delivering benefits to all stakeholders.

The programme will provide a framework for delivering future ESG projects. Strategic focus areas within the programme include diversity and inclusion, communities and the environment.

The Group will develop its ESG programme over time and will continue to review other ESG-related topics including social issues, climate change, the economy, regulations and legislation. Regular risk assessment and management procedures remain a necessity, including consideration of the possible impact on short and long term value arising from ESG matters.

Social Initiatives

The Group has established two new employee forums (the Inclusivity and Diversity Forum and the Communities Forum) to support and advise the broader ESG programme. The forums report to the Group Chief Executive Officer and connect employees, the Board and the programme of work itself. Other stakeholder involvement will be sought when needed, including insights from Shareholders, customers and suppliers as appropriate.

LSLcommunitiesForum LSLinclusivity&diversityForum

Diversity and inclusivity project work will establish the employee experience for people who identify as members of under-represented groups, with the Inclusivity and Diversity Forum being chaired by and consisting of diverse employee representatives from across the Group. Advised by the forum, LSL will consider how it can collect diversity data and its approach on conducting detailed analysis into pay structures and succession arrangements throughout the organisation. A review of training materials, policies and processes is likely to follow.

Communities project work will explore, with the support of the Communities Forum, how LSL, as a national business with local operations across the UK, can best facilitate and encourage employee involvement with community and charitable initiatives.

The ESG programme also includes the continued development of mental wellbeing initiatives and aims to provide LSL's employees with ongoing training and development opportunities in this area, in addition to planned access to an online app to give employees access to holistic health and wellbeing support. This will bolster the outputs delivered in 2020 as mentioned below in the *Health, Safety and Welfare* section below, including the Employee Assistance Programme (EAP), use of which will be promoted and encouraged.

Environmental Initiatives:

During 2021, LSL will also continue to action the recommendations of the 2019 Energy Savings Opportunity Scheme (ESOS) audit, focusing on:

- Reviewing existing meter arrangements across the premises estate and identifying sites where the business has the opportunity to install a water meter to obtain greater visibility of consumption levels, and progressing actions where volumes of usage can be reduced.
- Increasing recycling levels across the branch estate to achieve a minimum 60% recycled waste.
- At our multi-tenanted key sites, engaging with landlords and seeking to influence management of environmental activities in terms of waste management, building efficiencies in accordance with the objectives of LSL.

LSL aligns its reporting with the *Task Force on Climate-Related Financial Disclosures* and is developing its reporting in this area. LSL will analyse its position with respect to enhancing its contribution to environmental issues, such as developing greater understanding of its Scope 3 emissions and a planned response to climate change scenarios. The Group will also review a range of external frameworks, to assess their alignment with its wider ESG work.

ESG in 2020

During 2020, LSL actively monitored and reviewed changes to ways of working and safe working practices in response to the COVID-19 pandemic, alongside considerations of employee, customer and supplier wellbeing. Swift assimilation to these new practices allowed LSL's CSR agenda to continue, with achievements in a number of areas and the development of the new long term programme to define and implement an ESG strategy.

For further information relating to changes to ways of working in response to the COVID-19 pandemic, please see *Responding to the COVID-19 Pandemic* below.

Health, Safety and Welfare

LSL's Group Chief Financial Officer and the Finance Directors of subsidiary companies are each responsible for health and safety and they ensure health and safety is also a Board agenda item. A *Health and Safety Policy* is in place to ensure the wellbeing and safety of employees, visitors, members of the public and contractors. The Group's *Health and Safety Policy* is reviewed half yearly to ensure it reflects changes in legislation and business working practices. LSL has in place procedures to comply with relevant statutory requirements.

LSL is committed to meeting its responsibilities to do all that is reasonably practicable to maintain a safe working environment through identifying and managing hazards, and preventing accidents and injuries to employees. LSL has robust processes for the reporting of hazards and accidents which form part of the monthly reporting to the Group Chief Financial Officer. LSL has implemented a number of changes in response to the COVID-19 pandemic (please see *Responding to the COVID-19 Pandemic* below). The *Health and Safety Policy* and reporting processes are supported through the release of training modules. Additionally, all employees have a duty to do everything possible to prevent injury to themselves and to others and to exercise responsibility.

LSL's Risk and Internal Audit Team undertake subsidiary company audits, reviewing *Health and Safety Policy* documentation, certification to ensure compliance with statutory requirements, employee engagement, record keeping on hazards and accidents, and the follow-up actions identified and implemented. Risk and Internal Audit submit their report to the LSL Board or the Audit & Risk Committee.

During 2020, various mental wellbeing initiatives were launched across the Group and embedded through a series of communication campaigns, including an employer pledge, online manager and employee training, a stress and wellbeing policy and the creation of an online mental wellbeing hub. An EAP was launched Group-wide, with the exception of e.surv which already had the EAP in place. The Board and senior management team fully support these initiatives, with senior leaders demonstrating their commitment by signing the employer pledge.

Throughout 2020, senior managers across the Group took part in an online training session on managing mental wellbeing in the workplace. In addition, managers across the business completed online training modules and attended hosted sessions regarding mental wellbeing in the workplace. For further information on LSL's training arrangements please refer to *Training* below.

Responding to the COVID-19 Pandemic

Employees

Working practices across the Group were reviewed in response to the COVID-19 pandemic. The Financial Services Division transitioned entirely to home working and the majority of employees in the Estate Agency Division have also worked from home throughout the pandemic.

e.surv already operated a remote working model for surveyors and transitioned its central support functions entirely to home working, with a robust technology infrastructure. In early March 2020, ahead of the official lockdown, e.surv transferred desktop PCs and monitors to colleagues' homes and introduced a new telephony system, allowing colleagues in its customer contact centre to operate fully from home.

Group-wide, home working risk assessments have been conducted regularly to support colleagues, with particular attention paid to health and safety and data security. Equipment has been provided where required. While office risk assessments and COVID-19 secure practices have been completed and implemented, with some colleagues having to attend offices to complete specific tasks on an ad-hoc basis, in much of the Group, offices have essentially been unused during the pandemic. The assessments and practices will be re-examined before any return to regular office working.

The Estate Agency Division performed risk assessments to ensure individual branch compliance with Government guidelines and invested in reconfiguring branch layouts, ventilation and additional screens, where required. An agile technology response ensured that a large proportion of colleagues were able to provide a high level of service from home, within a secure networked environment.

The Division re-opened its branch network in May 2020, following the easing of national lockdown restrictions imposed in March. The branch risk assessments continued throughout the year, as the Estate Agency businesses adjusted to national and local restrictions, whilst complying with Government and sector-specific guidance. Some branches had spot checks from local Trading Standards Officers, who reported high levels of compliance and engagement with the 'COVID-secure' protocol.

The Divisions have increased company-wide communications, using regular video conferences, forums for collating questions and feedback with all colleagues. Managers and teams have communicated regularly via phone and video conferencing, along with whole Group updates. Mental health messaging and training has been completed and managers have been supported to ensure that this topic is regularly discussed with all employees, ensuring they are aware of any concerns and that they facilitate support through the Group's channels, including the EAP.

Remote working tools have proved invaluable for communicating with furloughed colleagues at the height of the pandemic. For example, e.surv developed a secure, web-based Colleague Portal through which the business communicated news, details of mental health resources and launched an engagement initiative for colleagues and their families, as a means of reducing stress. In addition, the businesses regularly promoted the EAP for colleagues to contact.

For those who could not work from home, screensavers, posters, regular management updates, and divisional COVID-19 hubs on Group intranets and internal platforms carried information, resources, FAQs and mental health support. The Group promoted whistleblowing procedures for any employee who felt unable to report COVID-19 related concerns in other ways. No notifications were received in the period.

With colleague wellbeing paramount, feedback and communication has been critical to the Group's continued response across all Divisions. At e.surv, regular colleague feedback has taken place via their Colleague Engagement Forum, to gauge levels of comfort and address concerns. The Estate Agency Division has consulted regularly with employees in its branch network via dedicated employee health and safety representatives, to ensure that branches were delivering 'on the ground' compliance with the COVID-secure protocol and to invite proposals for improvements. The Division has also remotely checked branch layouts to ensure physical distancing is being implemented, with a 'locked door' policy and visitor logs to support track and trace. Financial Services implemented monthly all-colleague video conferences and encouraged employees to submit questions or concerns which are addressed anonymously. The Financial Services Division also launched an online microsite in April 2020 to support their advisor audience with continuing best practice, via virtual events, tips, and video presentations.

Colleagues who have contracted COVID-19 have been supported by the Group's existing arrangements to help employees with any illness. This includes regularly checking on them when they have said they are well enough to continue working from home and encouraging them to take time off to recuperate where they need to.

Where necessary, Group businesses have engaged with Public Health England (PHE) and reviewed their controls and protocols. Dialogue with PHE has been positive and constructive. e.surv made three reports to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 during 2020. However, these reports did not require any further investigation. In the Financial Services Division and the Estate Agency Division, no reports were required.

Customers and Client Interaction

Group businesses have ensured COVID-19 related training has focused on working safely in branches, homes and offices.

The Financial Services Division created dedicated online video content designed to support customers which is published via its social media channels. Messaging has been focused on the continuation of business operations, emphasising new ways of working, whilst maintaining the concept of 'togetherness'.

With support from the Estate Agency Division Central Risk and Governance Team, each brand assessed the risks of working in other peoples' homes and published the results of that assessment on its website. Greater use of virtual viewings reduced the need for home visits for employees to complete a market appraisal or tenancy inspection or for contractors to perform safety checks or repairs and maintenance. Where physical viewings were necessary, the format followed Government guidelines. All material panel contractors and suppliers were required to confirm that 'COVID-19 secure' procedures were in operation whilst visiting customers' homes.

Within operational Lettings, staff received detailed training on Government guidance for landlords and tenants. In particular, they learned how to position the Estate Agency Division's services to best support landlords and tenants in any discussions concerning financial difficulties and rent arrears.

The Surveying and Valuation Services Division developed a coronavirus information hub for customers on its website, which was updated regularly with FAQs and guidance. As lockdown eased, the Division was able to resume physical inspections gradually. A return to physical valuations required careful planning and due diligence, ensuring colleagues were mentally and physically prepared for a safe return to work and that all householders felt prepared and supported. Personal Protective Equipment was issued to the network of surveyors, together with infrared non-contact thermometers for personal and family use. Comprehensive updates to the Health and Safety manual were made and a robust test and trace process established.

To help householders prepare for a visit from its surveyors, booking scripts were continuously revised, to talk customers through the latest safety precautions. A *Safety and Wellbeing Charter* in 14 languages was also published and brought to life in a customer video.

The Surveying and Valuation Services Division was able to leverage its technology and investment in risk management to mobilise the bespoke e.surv Remote Valuation solution. The Division kept lender clients updated on decisions, publishing regular updates and also generating a series of Market Sentiment reports during lockdown, sharing anecdotal feedback on market health and pent-up demand from estate agents via the Division's national surveyor network. The level of engagement and communication throughout this period was well received by lender clients, working together with the Division to respond to a rapidly evolving situation.

The Surveying and Valuation Services Division's expertise was also shared in training webinars for key clients. In October 2020, the annual Lender Senate was hosted virtually, addressing over 70 clients and associates with updates on the response to the COVID-19 pandemic, market trends, emerging themes and an innovation roadmap.

In November 2020, the British Standards Institute (BSi) recommended e.surv for certification to the *ISO 45001* standard for *Occupational Health and Safety Management Systems*. Having previously achieved the *RoSPA Level 3 award and ISO 18001 (Occupational Health and Safety)*, this was e.surv's first application for accreditation against ISO 45001.

Stakeholder Engagement and Communications

LSL's Approach

During 2020, LSL continued to improve its governance arrangements to reflect best practice introduced by guidance from the Investment Association and ICSA in relation to stakeholder engagement, in addition to the guidance issued by the GC100 on directors' duties under s172 of the Companies Act 2006.

Employee Engagement

The Group's businesses evaluate and monitor how they communicate with LSL's stakeholder groups, including employees. For further information, please see above and also refer to the *Corporate Governance Report* and *Stakeholder Engagement Arrangements* sections of this Report.

LSL's aim is to be recognised by existing and potential employees as a responsible employer, which values its employees and their contribution to the business and the wider community. The Group recognises that its market-leading positions in Financial Services, Estate Agency and Surveying and Valuation Services are achieved through the quality of service provided by employees. LSL's employees are its key differentiator and this principle guides how the Group manages its workforce.

The Group is committed to providing working environments in which employees are supported in both their personal and professional development. By creating such an environment, the Group seeks to recruit and retain the right individuals at every level throughout the Group.

A suite of employee policies are in place covering a wide range of employee related subjects, such as standard setting for performance and conduct within the workplace. Additionally, policies, including the *Family Friendly Policy*, document the procedures in place to support colleagues with their work and home responsibilities, or for example, the *Equality and Diversity Policy*, which positions the Group's stance on ensuring fair behaviour and workplace measures. The policies are subject to an annual review by the policy owners to ensure adherence to current employment regulations. These in turn, are signed off by the Group HR Director.

These policies are accessible to all businesses and colleagues in the Group via the central HR system and other business intranets. They are communicated to the Group through leadership and HR initiatives. Training, including via the *Leadership Pathway Programme* and the online learning system, is in place to support the messaging of the various policies. The HR teams utilise these policies to guide procedure and ensure consistency in management and the employee experience throughout. Additional policies were created in 2020 in response to the COVID-19 pandemic to offer further guidance and support to all LSL employees concerning changes in the working environment and individual home circumstances. For further information on the response to the COVID-19 pandemic, see *Responding to the COVID-19 Pandemic* above. All Group businesses are required to adhere to the same baseline policy standards, however it is acknowledged the diversity and culture in each of the businesses can result in a different approach to procedure in specific local messaging or training activities.

An essential part of LSL's strategy is to encourage and promote effective communication with all employees, which includes an annual employee opinion survey and a Group-wide Employee Engagement Forum, which discusses the outcome of the employee survey each year. These engagements support the Group in its decision making, ensuring it takes employees' views into account.

Further details of the Board's employee engagement activities (including the Group's Employee Engagement Forum) can be found in the *Employee Engagement Arrangements* and *Corporate Governance Report* sections of this Report.

Further details of the employee survey arrangements and the Group Employee Engagement Forum can be found in the *Employees* section below.

Participation in the Group's share schemes motivates employees, involves them in the Group's performance and aligns their interests with Shareholders. Details of awards are included in the *Directors' Remuneration Report* in this Report. This includes details of an all employee free share award, which was made after the end of the first lockdown to thank and recognise the efforts of all employees during the previous few months.

Examples of how LSL communicates with its stakeholders and monitors its engagement arrangements are included below.

Employees

LSL keeps employees informed of Group affairs by post, email, handbooks, intranet sites and employee forums, including roadshows, management presentations and colleague briefings. Communications encourage employee awareness of the financial and economic factors affecting the Group and have proved vital in 2020.

The Board receives employee feedback via the Group's employee opinion surveys, which are undertaken across all Group businesses. Supplementing the annual survey is a pulse survey, which was introduced in 2020 and ran five times. The employee opinions captured are then presented to the Board as part of a regular review of employee matters. KPIs such as labour turnover and responses to key questions are also monitored, to measure staff morale and review culture.

The employee opinion surveys also provide the Executive Committee and the Board with insight into what factors concern and motivate the Group's employees and contribute to action plans and/or focus groups across the Group. The employee survey process is regularly evaluated and developed, to maximise the validity and reliability of the data captured.

LSL engages a consultant to assist with the annual employee opinion survey. This allows LSL to generate an accurate picture of engagement across the Group and to benchmark the results against similar organisations, using the consultant's data.

The 2020 survey related to 2019 and, as in previous years, covered all aspects of the working environment. This included culture, training, careers, performance and communications, together with questions on the effectiveness of Group companies' management and leadership. The response to the 2020 survey was very positive, with 3,496 employees taking part, making it LSL's highest recorded participation rate at 75% (2019: 3,173 (71%)). The annual survey relating to 2020 is being conducted in 2021 and employee participation will be reported in the Annual Report and Accounts 2021. The pulse survey will be undertaken three times in 2021, to complement the annual survey and to gather more regular feedback.

The Group has a well-established Group Employee Engagement Forum, with representatives from across the Group, including members from senior management teams. In 2020, the forum met remotely each month and proved highly beneficial, with COVID-19 pandemic communications and initiatives, such as the pulse survey, being shared across the Group to improve employee engagement.

The Forum also met twice with Darrell Evans, the designated Non Executive Director in relation to workforce engagement. As outlined in the *Stakeholder Engagement Arrangements* and *Corporate Governance Report* sections of this Report, the Group's Employee Engagement Forum provides the vehicle for Darrell to establish regular dialogue with the Group's workforce. Darrell addressed the Employee Engagement Forum when LSL's response to the COVID-19 pandemic was first communicated, as well as about other matters such as the pulse surveys. Darrell has been regularly informed of progress in response to the COVID-19 pandemic as well as regarding employee engagement and has agreed a 2021 engagement plan with the Forum.

In response to the proposed legislative changes due in the first few months of 2021 concerning EU citizens living and working in the UK following Brexit, LSL communicated with all employees to offer support and ensure clarity around the need to evidence pre-settled or settled status from June 2021. New recruitment process requirements were also communicated to Group management, to ensure consistency and compliance with the new *Right to Work* checks in place from January 2021. In addition to providing employee support where needed, this ensures continuity of working practices, legislative compliance and enhanced retention of LSL's European staff.

Customers

All Group businesses regularly seek feedback from customers, which is used to inform LSL's decision making and, in particular, the development of its services to customers. This feedback is obtained through a number of methods, such as relationship management meetings, formal questionnaires, mystery shopping exercises and consumer focus groups. Each business completes regular customer outcome reviews. These include, for example, a review of customer complaints and service level performance for key customer contracts.

Suppliers

LSL has supplier relationship management arrangements across all its businesses. The Group's Supplier Code of Conduct communicates LSL's policies and procedures to its suppliers, which include provisions relating to modern slavery and anti-bribery.

Equal Opportunities

LSL promotes equal opportunities in employment, recognising that equality and diversity are a vital part of the Group's success and growth. The Group's recruitment, training and selection processes seek to appoint the best candidates based on suitability for the job and to treat all employees and applicants fairly regardless of race, gender, marital status, nationality, social backgrounds, ethnic origin, age, disability, religious belief or sexual orientation, and to ensure that no individuals suffer harassment or intimidation.

The Group Chief Executive Officer is responsible for LSL's employment policies, which employees are required to observe. Certain policies are submitted annually to the Board, for review and approval. The Group's Risk and Internal Audit Team audits compliance with legislation and Group policies, alongside regular reporting to the Board, which includes indicators such as staff turnover. For information relating to Group culture, please refer to the *Corporate Governance Report* section of this Report.

Diversity and Inclusivity

LSL is committed to diversity and inclusivity and established a new Group Inclusivity and Diversity Forum in 2020. See *Future Developments* above for more information. Matters relating to Board diversity are included in the *Corporate Governance Report* in this Report.

Equal Pay

LSL reports on gender pay for all Group companies with more than 250 employees, in accordance with the Government's reporting requirements (see *gender-pay-gap.service.gov.uk*).

The Group is also taking steps to understand its position in relation to ethnicity and pay, in addition to reviewing the *Parker Review into the Ethnic Diversity of UK Boards*. For further information relating to the *Parker Review*, please refer to the *Corporate Governance Report* section of this Report.

Gender Diversity Key Performance Indicators

	2020	2019	2018	2017	2016
Total employees at 31 December	**4,335**	4,772	5,463	5,084	4,990
Total employee turnover percentage (%)	**17.4**	26.7	27.0	28.7	30.8
Breakdown by gender					
Male	**2,104**	2,255	2,562	2,273	2,206
Female	**2,231**	2,517	2,901	2,811	2,784

Note: Data excludes forced leavers

The gender split for the Board, the senior management team and Group employees as at 31 December 2020 and 2019 is as follows:

	Female		Male	
	2020	2019	**2020**	2019
Directors	**2**	2	**5**	6
Senior managers	**14**	15	**51**	56
Group employees (exc Directors and senior managers)	**2,215**	2,500	**2,048**	2,193

Disability

LSL has policies and procedures to achieve its objective that upon employment, reasonable adjustments will be made to accommodate individuals with disabilities wherever the requirements of the organisation will allow and where applications for employment are received from suitable individuals. If during their employment, existing employees become disabled, every reasonable effort is also made to ensure that their employment with LSL can continue on a worthwhile basis, with career opportunities remaining available to them.

Employee training

LSL's businesses place strong emphasis on their quality of service, which is monitored on a regular basis. Employees (and, where appropriate, consultants) undergo suitable training to maintain and enhance service quality.

During 2020, LSL continued to recruit, develop and invest in colleagues. LSL's approach is to prioritise colleague learning and development, to strengthen the Group's businesses and to ensure the Group's continued success. LSL monitors all legislative changes affecting its businesses and keeps its training programmes under review, to ensure that employees receive specially designed training courses.

LSL also regularly monitors and contributes to consultations relating to legislative and regulatory reviews and reforms. For further details relating to laws and regulations which impact LSL's business, see the *Divisional Business Review* sections of this Report.

LSL fosters an inclusive culture and a commitment to diversity and equal pay, but also recognises that employees do not all progress at the same rate. The Group has therefore identified some of the main barriers to progression and has developed a plan to support minority groups. This includes running training programmes, which include both unconscious bias and assertiveness training.

The Group recognises the need to support the development of staff and has a number of specific routes to progression, through newly developed apprenticeship programmes. These programmes prepare individuals for the next step in their careers, whether that be a supervisory, management or leadership position within the Group. In total 105 employees enrolled onto an apprenticeship at the end of 2020, with employees undertaking courses ranging from Level 2 qualifications (for individuals new to the business) up to Level 7 qualifications (for those studying a masters or equivalent qualifications). As a national employer, LSL works with a number of training providers to fulfil its apprenticeship needs. These range from national providers to more local providers offering specialised training.

Details of LSL's requirements and approaches to training are summarised below.

Financial Services Division

The Group's Financial Services companies are responsible for training and compliance arrangements for the majority of Financial Services business conducted by LSL. The Division places a strong emphasis on the quality of service provided to customers and, as part of the compliance arrangements, captures and monitors customer feedback and outcomes.

All employees involved in the Financial Services businesses receive appropriate and relevant training. In particular, all Financial Services advisers complete a specially designed training programme, which is supplemented by effective supervision, regular monitoring and regular refresher training sessions.

General training modules and sessions applicable to all colleagues are supplemented with role-specific training, in line with legislative and regulatory requirements. Financial Services businesses delivered e-learning based training modules to 1,215 Financial Services colleagues during 2020, equating to the delivery of training to around 21 days per staff member and regulatory reading and testing equating to about three days.

Estate Agency Division (Group HR Services' Learning and Development Team)

The Estate Agency Division from time to time also enters into direct dialogue with the regulators and consumer groups. During 2020 it has been monitoring and responding to the wide range of consultations published by the Government as part of its review of the housing market which commenced at the start of 2017 and continued during 2018, 2019 and 2020.

LSL's Group HR Services' Learning and Development Team delivered classroom and webinar based training to a total of 1,064 Estate Agency Division employees during 2020, equating to the delivery of 1,622 training days.

During the first four months of 2020, the Learning and Development Team delivered induction training as well as training for the 'Move It On' sales progression system, which was launched in the South, South East and London regions of the Estate Agency Division.

During the COVID-19 pandemic, the Learning and Development Team retained a small headcount, with the remaining team on furlough from the end of March. This allowed the team to deliver pandemic-specific training and maintain the delivery of regulatory training in Estate Agency. The Learning and Development Team has played a central role in ensuring that COVID-19 safety guidance has been deployed to all staff.

Between April and August 2020, instructor-led training was paused but resumed in early August. The online training presence was maintained throughout, however, and electronic learning was completed, albeit at a reduced capacity.

The change from face-to-face to virtual learning ensured the Learning and Development Team could continue to provide high quality learning solutions via a mass digitisation project, offering virtual classrooms to its delegates and maintaining the effectiveness of classroom based training. To counter the impact of increased screen time in training, the team developed their online learning to provide shorter, yet still engaging, online content via video and new authoring software.

All virtual classroom events are now preceded with learning and are also followed by post-course training, to embed new knowledge and skills.

The Estate Agency Division's and Surveying Division employees completed a total of 101,423 modules on the Learning Matters platform. The success of the move to digitally based learning has allowed the Learning and Development Team to enhance the accessibility of the training offered and deliver improvements whilst reducing costs and streamlining processes.

Surveying and Valuation Services Division

Each chartered surveyor employed by e.surv has an obligation to fully comply with RICS regulatory standards on matters including ethics, conflict of interest and integrity. In addition, e.surv as a firm is also regulated by RICS to ensure that all the required standards are delivered, and our compliance is reviewed on an annual basis.

e.surv has a dedicated Risk and Governance Team which includes chartered surveyors who support the 'field' surveyors with technical guidance, policy oversight and quality audit. In addition, all reports are subject to quality control mechanisms prior to issue for accuracy and compliance. These reports are selected by 'triggers' which reflect the highest risk to compliant reporting.

This is further supplemented by regular client reviews who independently validate the accuracy and quality of e.surv's work. In all cases where any anomalies are identified, these are fully evaluated and, where necessary, remedial actions implemented.

The risk governance is completed by a structure of meetings designed to consider all aspects of business risk and associated polices that guide the management of recognised inherent risks. This structure includes a dedicated monthly Valuation Controls Board that considers all significant valuation policy changes. The meeting is also attended by the LSL Group Head of Risk and Internal Audit.

All significant legal, regulatory or compliance changes are supported by the Group's in-house legal team.

e.surv delivers training, guidance and monitoring through an in-house Learning and Development Team. All surveyors who produce and sign reports in the name of e.surv are subject to a rigorous annual audit regime, to monitor quality of both site notes and the final reports.

Compliance training was issued to all 997 colleagues in 2020, with a total of 7,976 compliance modules completed via e.surv's online learning platform. Additionally, e.surv has trained 309 people on other courses, including surveyor training programmes, company and surveyor inductions, HomeBuyer training, mentor training, customer care and conflict management.

There are 18 graduate trainees who are not yet operational in e.surv, with a further 42 from previous cohorts who have achieved AssocRICS qualifications and are productive. There are 17 still working towards the competency levels, who are on schedule to qualify to AssocRICS status during 2020/2021. In addition there are 13 AssocRICS qualified surveyors being sponsored through the Assessment of Professional Competency (APC) programme, and one surveyor successfully completed, resulting in the MRICS status during 2020. e.surv also has a well-established mentoring programme for new surveyors entering the industry.

All surveyors are regulated by RICS and commit to continually updating their skills and knowledge, in order to remain professionally competent. All RICS professionals must undertake and record online a minimum of 20 hours of Continuing Professional Development activity each calendar year. This is supported by the Group and undertaken through a variety of methods, ranging from distance learning to online modules through the Learning Management System, classroom based training and regional conferences.

Training Expenditure

Division	Expenditure 2020 £	Expenditure 2019 £
Financial Services	**465,157**	387,798
Estate Agency	568,845	1,415,622[1]
Surveying and Valuation Services	**607,488**	932,083
Total expenditure[1]	**1,641,490**	**2,368,133**

Notes:

[1] This includes in-house training costs of £1,056,909 (2019: £1,555,952)

Environmental issues

LSL is committed to meeting its obligations in respect of statutory compliance and reporting, and fulfilling the objectives as set out in the 2019 ESOS Audit. LSL's *Environmental Policy* demonstrates the Group's commitment to the reduction of energy consumption and the positive impact that this will have both on the environment and on reducing costs to the Group's businesses. The policy is reviewed annually and provided to all colleagues on the self-service system.

The Group has made positive progress against the objectives set out in the 2019 ESOS Audit including in areas providing significant improvement in terms of environmental impact. Group performance is measured across the following areas.

In respect of utilities, LSL has contracted on the basis of 100% renewable electricity which supports approximately 85% of branch locations and the majority of key sites where LSL has the ability to manage supply arrangements. As existing contractual arrangements expire, sites transfer to the renewable contract. Gas contracts supporting branch locations expire during 2021 and LSL is committed to tendering on the basis of green energy tariffs. In addition, the programme of smart meter installations is continuing with the aim that they will complete during 2021, subject to installer commitments.

The volume of recycled waste across branch locations was 45% for the year and the target is to increase this to a minimum of 60% by the end of 2021. In terms of secure waste management, the Group remains committed to managing print practices and minimising wastage, to achieve the objective of reducing environmental impact.

LSL encourages and supports an approach towards remote meetings through the use of audio and video to connect online. For further information relating to these methods of communication, see *Responding to the COVID-19 Pandemic* above. The Group continues to offer a range of leased fleet vehicles to employees. Progress has been made in reducing the number of diesel vehicles which now account for 42% of the fleet, a figure which is targeted to reduce further during 2021. The Group has increased the number of electric and low emission vehicles to 19% of the fleet.

In its estate management, LSL includes environmental considerations as part of premises acquisition activity, and continues to manage upgrades to lighting, heating and air conditioning across its premises estate.

LSL will raise employee awareness on the environmental impact of the Group's business activities and actions taken to minimise impact and the objectives against which LSL's performance will be measured.

Greenhouse gas emissions

This section of this Report has been prepared in accordance with LSL's regulatory obligation to report greenhouse gas emissions pursuant to section 7 of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

During the 2019/20 reporting period, the Group emitted a total of 3,656 tCO_2e from fuel combustion and operation of facilities (Scope 1 direct), and electricity purchased for the Group's own use (Scope 2 indirect). This is equal to 14 tCO_2e per £m of revenue or 0.94 tCO_2e per full time equivalent employee.

The table below shows LSL's tCO_2e emissions for the period 1 October – 30 September for the years 2016 to 2020.

(tCO_2e)	2019/20	2018/19	2017/18	2016/17	2015/16
Combustion of fuel and operation of facilities (Scope 1)	**2,517**	3,420	3,705	3,959	4,046
Electricity, heat, steam and cooling purchased for our own use (Scope 2)	**1,139**	1,535	2,625	2,721	3,553
Total Scope 1 and 2	**3,656**	4,955	6,330	6,680	7,599
tCO_2e per full time equivalent employee	**0.94**	1.17	1.27	1.47	1.69
tCO_2e per £m revenue	**14**	16	20	22	24

As the table demonstrates, since 2016 LSL's absolute emissions have decreased by 52%. This has principally been due to the impact of the COVID-19 pandemic on the Group's way of working, particularly the temporary closure during the lockdown between 23 March and 13 May 2020. In addition, 2020 includes the full year impact following the reshaping of the Your Move and Reeds Rains branch networks in 2019. The branch reduction has reduced energy consumption related to physical site numbers and headcount. The reduction in energy consumption has also reflected the Group's continual programme of branch refurbishment across the Estate Agency businesses, to improve efficiency and modernise fittings, as well as the reduction in average FTE employees across the Group over this period; and the decrease in the UK electricity CO_2e GHG conversion factors linked to the reduction in coal powered electricity generation.

Greenhouse gas reporting methodology
The Group quantifies and reports on its organisational greenhouse gas emissions according to Defra's Environmental Reporting Guidelines and has utilised the UK Government 2020 GHG *Conversion Factors for Company Reporting*, in order to calculate CO_2 equivalent emissions from corresponding activity data. LSL has also utilised data required for compliance with the CRC Energy Efficiency Scheme and ESOS.

Greenhouse gas reporting boundaries and limitations
The emission sources included in this Report fall within the consolidated *Financial Statements*. LSL does not have responsibility for any emission sources that are not included within the consolidated *Financial Statements*. LSL has not, to date, calculated the Group's fugitive refrigerants from air conditioning equipment, as these are considered to be de minimis. However, LSL may look to quantify and report on emissions from this source in future years.

The greenhouse gas sources that constitute LSL's operational boundary for the 2019/2020 reporting period are:

- Scope 1: Natural gas combustion in boilers and road fuel combustion in vehicles.
- Scope 2: Purchased electricity consumption for LSL's own use.

Greenhouse gas reporting assumptions and estimations
In some cases, missing data has been estimated using either extrapolation of available data from the reporting period or data from 2018/2019 as a proxy.

Social and Community Interests
LSL's social and community objective is to establish a common and coherent approach among Group businesses and to support investment in the communities in which they operate. Group companies are sensitive to local communities' cultural, social and economic needs. LSL is committed to acting responsibly wherever it operates and to engaging with stakeholders to manage the social, economic and environmental impact of all Group activities. The Group's social and community interests also include the promotion of human rights, ethical issues and prevention of modern slavery.

LSL's business has a direct impact on its local communities and the Board recognises that good relations with local communities are fundamental to LSL's sustained success. Working in partnership with communities consistently is the most effective way to achieve objectives and lasting change.

During 2020, LSL businesses achieved these objectives in the following ways:

- making donations to local and national charities;
- supporting and organising fundraising events, including supporting charities and local community initiatives selected by Group companies; and
- supporting employees in their personal fundraising ambitions.

With a new ESG programme underway, LSL has created a Group Communities Forum (see *Future Developments* in this Report), to advise on and support community initiatives. The Forum will also look to support charitable initiatives, as well as recognising the other forms of volunteering which colleagues undertake in their communities, such as becoming school governors or taking on responsibilities at community clubs.

Examples of Charitable Activities in 2020
Workplace Giving
LSL has implemented the 'Charitable Giving' initiative and all Group employees are invited to participate. In 2020, LSL employees donated over £27,000. The scheme donates to a range of charities and 46 employees participated in the scheme.

LSL makes it possible for employees to make regular donations via the payroll system to a charity or charities of their choice, on a tax-free basis. The tax-free element means that the charity benefits by receiving a higher amount. Further information can be found at: *charitablegiving.co.uk/payroll/payroll-giving.htm*

Financial Services
PRIMIS employees participated in a range of local activities, including scaling Scafell Pike to raise money for MND Association, raising money for Children in Need and Cancer Research UK, and taking part in the Virtual London Marathon to raise money for Mencap. Local fundraising went towards Wiltshire Air Ambulance and to support the rebuild of a local school. Specialist support for local causes also took place, with essential items collected and donated to Solihull's women's shelter, Chippenham's women's shelter and the Salvation Army. Embrace Financial Services supported Buckhurst Hill FC.

The PRIMIS network partnered with and made donations to Macmillan in 2020, with £7,135 raised and £14,270 matched by the businesses. First2Protect partnered with SANDS while Embrace Financial Services offered product discounts to NHS employees, emergency services staff and the armed forces (both those serving and veterans).

The Financial Services' Employee Engagement meeting keeps charity as a consistent agenda item, with input from employee representatives on the fundraising activities that staff would like to hold, and how and where efforts will be organised.

Estate Agency

The Estate Agency Division encourages and promotes team and employees' individual fundraising activities in the local communities of all brands. Employees have raised money for a wide range of causes in 2020. Thomas Morris was recognised at the 2020 Agents Giving Awards as winners of the *Best Overall Act of Kindness Award* and the joint winners of the *Best Team Act of Kindness Award*. Across the Division there has also been fundraising for charities including Macmillan, Children in Need, Comic Relief, The Brompton Foundation, local schools and a local homeless charity. Marsh & Parsons raised £25,000 through a series of fundraising activities.

Employees throughout the Estate Agency Division volunteered their time in aid of local causes, including at PTA events, collecting and delivering food and supplies to those in need in the local community, litter picking, and preparing lunch for and delivering presents to homeless people on Christmas Day and Boxing Day. Thomas Morris employees also created a task force to provide aid and support the needs of the local community specific to the pandemic, such as producing PPE, supporting the bereaved, fundraising for NHS charities and providing practical support to those shielding in the local community. Support for local foodbanks was also provided.

Your Move established a corporate partnership with the English Football League and Marsh & Parsons partnered with Streets of London. Sponsorships included Hope for Justice, local sports teams, music events, churches, school events and residents' groups.

Surveying and Valuation Services

Employees volunteered with and provided specialist support to local causes, including the Shanklin and District History Society, with the local Parish Council, a community walking group, running and coaching local sports clubs. Specialist support was also provided with the management of an historic scheduled ancient monument.

Charitable initiatives are regularly discussed at the e.surv Colleague Engagement Forum and the Charity Committee, which distributes funding to support charitable activities by staff.

Human Rights, Ethical Issues and the Prevention of Modern Slavery

LSL's approach to the promotion of human rights and ethical issues is contained within the Group's HR policies. This includes the Group's *Combined Ethics Policy (CEP)*, which is one of the policies that is presented to the Board for annual review and approval.

The *Combined Ethics Policy* covers:

- anti-slavery and human trafficking;
- anti-corruption and bribery (including hospitality);
- conflicts;
- fraud;
- tax evasion; and
- whistleblowing.

All Group employees are made aware of the CEP and the Audit & Risk Committee and the Risk and Internal Audit Team audit awareness and compliance, with the findings reported to the Board.

All LSL Group businesses are committed to conducting business in a socially responsible way. LSL businesses seek to carry out their operations in accordance with appropriate ethical standards and to be honest and fair in their relationships with customers and suppliers. As part of this, LSL and its subsidiary companies have arrangements to safeguard against modern slavery and human trafficking occurring within their businesses or any of their supply chains.

During 2020, LSL continued to implement arrangements to ensure compliance with the *Modern Slavery Act 2015* including publishing its *Modern Slavery Statement (Statement)* for the financial year ending 2019, which was published in April 2020 (see *lslps.co.uk/modern-slavery*). LSL also has a dedicated LSL *Anti-Slavery and Human Trafficking Policy* which works in combination with LSL's established *Whistleblowing Policy* and provides information and guidance to those working for the Group on how to recognise and deal with anti-slavery and human trafficking issues.

The published Statement sets out the steps taken by LSL, Your Move, Reeds Rains, LSLi, Marsh & Parsons and e.surv and it was signed for and on behalf of the Board by Adam Castleton (Group Chief Financial Officer and a director of each of these companies).

The Group has risk-based arrangements to ensure compliance with the Bribery Act 2010. The Group reviewed anti-corruption and bribery risks in the development of its policies and procedures, which are reviewed periodically. The *Anti-Corruption and Bribery Policy* sets out information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues.

Your Move, Reeds Rains and e.surv continued to submit their payment practices reports in 2020, which are available on the Government's website for report submissions (*check-payment-practices.service.gov.uk/*).

In 2020, the Board reviewed the *Tax Evasion Policy* for the Group as part of the CEP. The Group also reviewed its tax strategy in 2020, which is available on the LSL website *(lslps.co.uk/investor-relations/corporate-governance/tax-strategy)*.

The Board

This section of the Report includes information on the Directors and Company Secretary as at 28 April 2021.

Executive Directors

Helen Buck, Executive Director – Estate Agency

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

Adam Castleton, Executive Director, 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 and joined LSL from French Connection Group PLC, where he was the Group Finance Director. He previously held leadership roles at a number of 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. Previously, he was Chief Executive of the 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 a number of 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. He is also the non executive chair of the Enra Group.

Non Executive Directors

Gaby Appleton, Independent Non Executive Director

Gaby was appointed as an independent Non Executive Director on 1 September 2019. She is also a member of LSL's Nominations, Remuneration, and Audit & Risk Committees. Gaby has significant experience in strategy, technology, digital product, 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). She has previously held a number of executive strategic and digital product roles, including Managing Director for Researcher Products, and Global Director of Strategy at Elsevier (also a RELX company) in Amsterdam. She was a board member of the International Association of STM Publishers, a global industry trade body. Before joining Elsevier/RELX, Gaby held a number of operating positions at Sainsbury's Supermarkets Ltd and within the Procter & Gamble company, and was a senior manager at McKinsey & Co. Gaby holds a BA from the University of Cambridge.

Darrell Evans, Independent Non Executive Director, Chair of the Remuneration Committee and Designated Workforce Engagement Director

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

Simon Embley, Non Executive

Simon was during 2020 the Non Executive Chair and he was also Chair of the Nominations Committee. With effect from 28 April 2021 Simon stepped down from these roles as a result of his appointment as Chief Executive of Pivotal Growth Limited, which is an LSL joint venture with Pollen Street Capital. Simon has remained on the Board as a Non Executive, allowing the Group to continue to benefit from his knowledge and experience. This position will be kept under review.

Simon was Non Executive Chair of the LSL Board from 1 January 2015 and became Chair of the Nominations Committee on 1 May 2020. He was previously Deputy Chair from 2014 to 2015 and Group Chief Executive Officer until 2014, a role which he held at the time of the management buy-out of e.surv and Your Move from Aviva (formerly Norwich Union Life) in 2004. Prior to the management buy-out, Simon was responsible for the strategic direction of these companies and subsequently he oversaw and was responsible for the turnaround of the initial Group. Simon's other directorships are limited to a small estate management company, Eveclo Holdings (an IT business), Road to Health (a healthcare provider) and the role of non executive chair at Global Property Ventures, which distributes a tenant deposit replacement product.

Bill Shannon, Independent Non Executive Director, Chair of the Board, Chair of the Audit & Risk Committee and Chair of the Nominations Committee

During 2020 Bill was the Deputy Chair, Senior Independent Director and Chair of the Remuneration Committee and the Audit & Risk Committee. With effect from 28 April 2021 was appointed as Chair of the Board and the Nominations Committee. He also stepped down from his role as Deputy Chair, Senior Independent Director and Chair of the Remuneration Committee. Bill has remained as a member of the Remuneration Committee. The Board intends to appoint a new Chair of the Audit & Risk Committee and a new Senior Independent Director during 2021.

Bill was appointed as an independent Non Executive Director and Chair of the Remuneration Committee on 7 January 2014. On 1 January 2015, he took on the roles of Deputy Chair, Senior Independent Director and Chair of the Nominations Committee. On 1 May 2020, Bill took over as Chair of the Audit & Risk Committee and ceased his role as Chair of the Nominations Committee. Bill has significant PLC board experience in strategy, operations, finance, and governance, in the consumer, financial services, residential and commercial property sectors. He is currently non executive chair of Johnson Service Group plc and Council Member at the University of Southampton. He was previously at Whitbread Group plc from 1974 and between 1994 and 2004, he was a Divisional Managing Director. He has also served as non executive chair of Aegon UK plc and St Modwen Property PLC, and as a non executive director of Rank Group plc, Barratt Developments plc and Matalan plc.

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 buy-out 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 Strategic Report is approved by and signed on behalf of the Board of Directors

David Stewart
Group Chief Executive Officer
27 April 2021

Adam Castleton
Group Chief Financial Officer
27 April 2021

Report of the Directors and Corporate Governance Reports

In this section

Statement of Directors' Responsibilities in Respect to the Group Financial Statements

The Directors are responsible for preparing the Annual Report and the Group Financial Statements in accordance with applicable United Kingdom 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 Financial Statements in accordance with International Financial Reporting Standards (IFRS) in conformity with the Companies Act 2006. Under company law the Directors must not approve the Group 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 Financial Conduct Authority's Disclosure Guidance and Transparency Rules, Group Financial Statements are required to be prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the Group's financial position and financial performance;
- in respect of the Group Financial Statements, state whether IFRS in conformity with the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed, and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is appropriate to presume that the company and/or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent Company and Group 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 a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement 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.

Report of the Directors

Business review and development

The Strategic Report (including the *Chairman's Statement*, the *Group Chief Executive's Report* and the *Business Reviews*) sets out a review of the Group's business, including details of LSL's performance, developments and strategy during 2020.

Annual general meeting

LSL's AGM will be held at Hilton London Paddington, London, W2 1EE on 23 June 2021, starting at 1pm. The *Notice of Meeting* convening the AGM is in a separate circular to be sent to Shareholders with this Report. The *Notice of Meeting* also includes a commentary on the business of the AGM and notes to help Shareholders to attend, speak and/or vote at the AGM.

Taking into account COVID-19, LSL will keep its AGM arrangements under review and update Shareholders if any changes are required. Details of the arrangements put in place in 2020 are detailed in the *Corporate Governance Report* section of this Report.

Financial results

The *Strategic Report* and *Financial Statements* set out the financial results of LSL in relation to 2020.

Dividend

In an extraordinary year in which the Government provided significant support, the Board determined it was inappropriate to declare a dividend for 2020. The Board understands the importance of dividends to many Shareholders and has confirmed that the dividend policy has been reinstated and rebased, with an expected payout of 30% of Underlying Operating Profit after finance charges and normalised taxation. This fixed payout is at the lower end of the previous range, to provide increased balance sheet flexibility for funding inorganic growth opportunities for the benefit of investors.

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 *Business Review* sections 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*. Details of the Group's borrowing facilities are set out in Note 24 to the *Group Financial Statements*. Note 32 to the *Group Financial Statements* describes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. A description of the Group's principal risks and uncertainties and arrangements to manage these risks can be found in the *Strategic Report* on pages 35 to 42.

As explained in Note 32 to the *Group Financial Statements*, the Group meets its day-to-day working capital requirements through cash generated from operations, as well as utilising its revolving credit facility, which was renewed in March 2021. The Group currently has a £90m facility (December 2020: £100m) which is committed for a period up to May 2024. As stated in Note 32 to the *Group Financial Statements*, as at 31 December 2020 the Group had available £87m of undrawn borrowing out of an available £100m, in respect of which all conditions precedent had been met. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the terms of its renewed facility.

The Directors have considered the future profitability of the Group, forecast of future cash-flows, banking covenants, liquidity of investments and joint ventures and the Group's ability to re-finance any loans due to mature in the next 12 months (including the Group's facility which is due to mature in May 2024) where necessary. Further, the Directors considered the key judgements, assumptions and estimates underpinning the review.

As part of this assessment, the Group has also considered the FRC Company Guidance (updated December 2020) which has encouraged companies to assess current forecasts with more vigour, to consider the impact of different scenarios along with a likelihood assessment, and consider both the uncertainty and the likely success of any realistically possible response to mitigate this uncertainty.

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* set out on page 42, this included assessing forecasts of severe but plausible downside scenarios related to LSL's principal risks, notably the extent to which a severe downturn in the UK housing market, close to the level seen during the financial crisis in 2008, would affect the Group's base forecasts.

After making enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this Report.

Financial instruments

The *Strategic Report* sets out LSL's strategies and objectives relating to treasury and risk management. Details of the financial instruments are set out in Note 32 to the *Group Financial Statements*.

Employee, suppliers, customers and other stakeholders

Please see the *Stakeholder Engagement Arrangements* section of this Report, which contains LSL's disclosures pursuant to The Companies Act 2006. This is in addition to the details of LSL's stakeholder considerations which can also be found in the *Environment, Social and Governance Report* contained in this Report.

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

In accordance with Part 7 of the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, each year LSL reports on targets and KPIs approved by the Board within the Report of the Directors.

The 2020 results are included within the *Environment, Social and Governance Report* section of this Report.

Directors

Details of the Directors who served during 2020 are in the *Corporate Governance Report*.

Re-election and election

LSL's policy is to have annual re-elections of its Directors and this policy is set out in the Nominations Committee's terms of reference. As a result, all the Directors will retire at the AGM and, being eligible, intend to stand for re-election.

LSL's articles provide that the Board may appoint an individual to act as a Director, but anyone so appointed will retire from office at the next AGM and seek election. Shareholders may by ordinary resolution elect or re-elect any individual as a Director.

The biographical details for all Directors who are on the Board at the date of this Report are set out in *The Board* section of this Report.

During the 2020 annual evaluation of the Board and its Committees, the performance of the Directors was specifically evaluated, and the Board confirmed that it values the experience and commitment to the business demonstrated by each of these individuals.

Directors' interests

The interests of the Directors who are on the Board at the date of this Report are contained within the *Directors' Remuneration Report*. During the period between 31 December 2020 and the date of this Report, there were no changes in the Directors' interests, other than the purchases of Shares by Adam Castleton (258 Shares) and Helen Buck (260 Shares) as participants of LSL's SIP/BAYE scheme. These Shares were purchased by the Trust at the prevailing market rate.

During 2020, the Board maintained its arrangements for managing and recording conflicts, in line with its policy. This includes observing an anti-bribery and hospitality policy, to ensure compliance with section 176 of the Companies Act 2006.

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

Directors' service contracts and letters of appointment

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

Directors' qualifying third party indemnity provisions

LSL 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. LSL has put in place Directors and Officers Liability insurance and indemnities to cover for this liability.

Compensation for loss of office – change of control

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

Auditor

Ernst & Young LLP, the Group's external auditor, has advised of its willingness to continue in office and a resolution to re-appoint it to this role and the authority for its remuneration to be determined by the Directors will be proposed at the 2021 AGM.

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

LSL's Share capital

The information below includes information LSL is required to disclose following the implementation of the *Takeover Directive* into UK law.

LSL's 0.2 pence Ordinary Shares are listed on the London Stock Exchange and are the only class of shares in issue. At 31 December 2020, LSL's issued Share capital comprised 105,158,950 0.2 pence Ordinary Shares. The authorised Share capital is 500,000,000 Ordinary

Shares of 0.2 pence each. Details of Share capital are also set out in Note 27 to the *Group Financial Statements*. During 2020 LSL issued and admitted for listing 1,000,000 new shares, increasing the Company's issued Share capital to 105,158,950. The new Shares were issued fully paid, rank pari passu in all respects with the existing issued Shares and were allotted by the Company to the LSL Property Services plc Employee Benefit Trust (EBT).

Rights and obligations attached to Shares

Each issued Share has the same rights attached to it. The rights of each Shareholder include:

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

LSL will seek Shareholder approval for the renewal of authority for the Directors to allot unissued Shares and for the power to disapply statutory pre-emption rights at the 2021 AGM. LSL obtained Shareholder approval to disapply pre-emption rights at the 2020 AGM.

Full details of the deadline for exercising voting rights in respect of the resolutions to be considered at the 2021 AGM are set out in the *Notice of Meeting*.

On a show of hands at a general meeting of LSL, 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 held. The *Notice of Meeting* which accompanies this Report specifies deadlines for appointing a proxy in relation to resolutions to be passed at a general meeting. 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 LSL's website after the meeting (*lslps.co.uk*).

There are no restrictions on the transfer of Ordinary Shares in LSL other than:

- 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).
- Pursuant to the *Listing Rules* of the FCA/UKLA and LSL's *Share Dealing Policy,* whereby certain employees of LSL require the approval of LSL to deal in LSL's securities.

LSL's Articles of Association may only be amended by way of a special resolution at a general meeting of the Shareholders. LSL has the authority under section 701 of the *Companies Act 2006* to make market purchases of the Ordinary Shares of the Group on such terms and in such manner that the Directors determine. The maximum Shares to buy back is capped at 10% of the Ordinary Share capital of the Group being 10,515,895 Ordinary Shares.

Employee Share schemes

LSL has two employee benefit trusts. The first was established in 2006, prior to LSL's flotation on the London Stock Exchange. LSL 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 LSL. Details of the Shares acquired by the Trust are set out in Note 14 to the *Group Financial Statements*. The ESOT Trustees have waived the right to any dividend payment in respect of each Share held by them in 2020 and to all future payments.

LSL also operates the LSL Property Services plc Employee Share Incentive Plan (BAYE) for its employees, 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. As at 31 December 2020, the Trust held 1.51% (2019: 1.43%) of the issued Share capital of LSL 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.

LSL had a third employee benefit trust, which was established in November 2011 (the 2011 EBT), as part of the acquisition of Marsh & Parsons. In 2020, the 2011 EBT did not hold any Shares and was closed during the year.

Significant agreements – change of control

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

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

Post balance sheet events

Acquisition of Direct Life and Pensions Services Limited

In January 2021, LSL acquired 60% of the issued share capital of Direct Life Quote Holdings Limited, which owns 100% of the share capital of Direct Life and Pension Services Limited. Direct Life and Pension Services is a financial services business specialising in the provision of outsourced financial services products providing a range of systems and services to financial intermediaries and direct to consumer companies. The consideration for the acquisition is £2.4m and is made up of a payment of £1.8m which was paid on completion and £0.6m deferred consideration.

The Group are currently in the process of allocating the purchase price in accordance with IFRS 3 and as a result the initial accounting for this acquisition is incomplete.

Acquisition of Mortgage Gym

In February 2021, LSL acquired the trade and assets of Mortgage Gym from administration for a consideration of £2.4m. The events and conditions that led to Mortgage Gym entering administration existed at 31 December 2020. This is considered an adjusting event for LSL's investment in associate equity holding, causing an impairment of £2.0m to be recognised through exceptional costs in 2020 writing the Group's carrying value of Mortgage Gym to £nil (see Note 8 and 19 to these *Financial Statements*). The fair value of the secured preference loan notes at 31 December 2020 has been assessed as £2.2m. No fair value adjustment has been required (see Note 18 to these *Financial Statements*).

New Revolving Credit Facility agreement

In February 2021 LSL announced that it had entered into a new banking facility which runs to May 2024 with a new limit of £90m; this replaces the existing RCF, with maturity date of May 2022 and credit limit of £100m.

Formation of joint venture with Pollen Street Capital

On 23 April 2021 LSL announced the formation of the Pivotal Growth joint venture with Pollen Street Capital (PSC), a vehicle seeking to become a leading national mortgage broker. It is planned that at least £200m will be made available by way of equity and debt to fund acquisitions. LSL has committed up to £33.5m and PSC up to £62.4m to support the acquisitions to be made by Pivotal Growth. The investment by LSL and PSC will be supplemented with external debt finance in Pivotal Growth to fund purchases, with a view to an exit event over a three to six year period.

LSL and PSC will each invest up to £19.1m for a 47.8% equity share of Pivotal Growth. In addition, LSL will invest up to £14.4m and PSC up to £43.3m by way of loan notes. The commitments will be drawn down by Pivotal Growth over time dependent on the timing of acquisitions and the extent of external debt finance deployed. The LSL investment of up to £33.5m will be funded from LSL's existing cash resource and banking facilities.

LSL will apply equity accounting for its share of Pivotal Growth profits after tax and will also recognise loan note interest receivable, both to be included in the Underlying Operating Profit of the Financial Services Division. The value of the equity investment will be recognised in the LSL balance sheet as an investment in joint venture and the loan notes recognised in financial assets within non-current assets. In addition, the acquired companies membership of the PRIMIS network will generate further profit to the Group. The profile of profit attributable to LSL from Pivotal Growth will depend on the timing of acquisitions and before the execution of the first acquisition there will be a period of modest investment in Pivotal Growth's operating cost base. Thereafter, the profit contribution to LSL is expected to be material within two to three years, with the opportunity for a meaningful exit event within a three to six year period.

The current structure of the agreement provides that the amount due to LSL for its share of proceeds at exit is capped. This cap can be removed unilaterally by LSL with Shareholder consent, and LSL intends in due course to seek Shareholder approval to remove the cap.

As this is a newly established entity, Pivotal Growth has no gross assets or profits.

Simon Embley has been appointed Chief Executive of Pivotal Growth and will step down from the role of LSL Chair following the publication of the Group's 2020 results on 28 April 2021. The LSL Board has agreed to him investing up to £4m alongside PSC and LSL for a 4.4% share in the business. Simon will stay on the LSL Board as a Non Executive Director, allowing the Group to continue to benefit from his knowledge and experience. This position will be kept under review.

Five year agreement to provide digital and face-to-face mortgage and protection advice to The Property Franchise Group

In April 2021, LSL announced that it had reached a long term agreement with the UK's largest property franchisor, The Property Franchise Group plc (TPFG), to offer mortgage and protection advice services to all TPFG's franchisees, including those recently incorporated as a result of its combination with Hunters Property Ltd. The Property Franchise Group now has over 430 physical office locations, conducts the sale of circa 23,000 properties per annum and manages in excess of 73,000 tenanted properties.

The agreement is for a minimum of a five year period and means that LSL will be providing digital and face-to-face mortgage and protection advice to the customers of TPFG and TPFG's franchisees. TPFG franchisees will be provided with a range of options via LSL's award winning PRIMIS Mortgage Network. Franchisees will be offered the opportunity either to take on their own mortgage adviser and become an appointed representative of PRIMIS, or to refer their customers to existing PRIMIS appointed representatives, including LSL's in-house mortgage brokers.

This agreement underlines the opportunity for further growth of its Financial Services businesses, leveraging LSL's existing leading positions in the mortgage advice market. This contract will enhance the Financial Services Division profit after an initial 12 to 18 month investment period requiring one-off transition and integration costs.

Substantial shareholdings

As at 31 December 2020 and as at 27 April 2021, the Shareholders set out below have notified LSL of their interest under DTR 5:

Institutional Shareholders:

			31 December 2020		27 April 2021
Institution	Nature of shareholding	Number of Ordinary Shares	% of Ordinary Shares	Number of Ordinary Shares	% of Ordinary Shares
Kinney Asset Management, LLC	Beneficial	10,700,595	10.18	10,700,595	10.18
FIL Limited	Beneficial	10,515,895	10.00	10,515,895	10.00
Harris L.P	Beneficial	10,316,680	9.81	10,316,680	9.81
Setanta Asset Management Limited	Beneficial	7,240,036	6.88	7,240,306	6.88
SMF UK Management LLP	Beneficial	5,523,218	5.25	5,523,218	5.25
Brandes Investment Partners L.P	Beneficial	5,264,043	5.01	5,308,287	5.05
Franklin Templeton Institutional, LLC	Beneficial	3,211,900	3.05	3,211,900	3.05
Individual Shareholders (excluding Directors):					
David Newnes	Registered	3,479,910	3.31	3,479,910	3.31

Directors' responsibility statement

The Directors confirm, to the best of their knowledge:

- That the consolidated *Financial Statements*, prepared in accordance with IFRS in conformity with the Companies Act 2006 (and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union), 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.
- That they consider the Annual 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 have confirmed that:

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

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

Sapna B FitzGerald

Company Secretary

27 April 2021

Corporate Governance Report including Nominations Committee Report

UK Corporate Governance Code (July 2018) (Code)

The Board is committed to the highest standards of corporate governance and the Directors recognise the importance of meeting the principles of good governance set out in the *Code*, together with the associated FRC G*uidance on Board Effectiveness*.

This section of the Report explains the main aspects of LSL's governance arrangements and details how the Company has applied the principles and complied with the provisions in the *Code*, except as explained below. Other sections of this Report also contain details relating to the measures LSL has put in place to comply with the *Code* including:

- Principle C: the *Principal Risks and Uncertainties* section details LSL's framework of prudent and effective controls which enable risks to be assessed and managed.
- Principle E: this section of the Report together with the *Stakeholder Engagement* and *ESG* sections detail how LSL seeks to take into account the views of it's workforce and ensures that its workforce polices and practices are consistent with the Group's values and support its long term sustainable success.
- Principles F and H: the role of the Chair and the Non Executive Directors is central to LSL's 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 *Code* is available on the FRC's website (*frc.org.uk*).

Compliance with the *Code*

During 2020, LSL applied the principles of the *Code* and complied with its relevant provisions in all respects, with the exception of provisions 9 and 19.

During 2020 Simon Embley was the Chair. Simon steps down from this role with effect from 28 April 2021. Simon has been a Director of LSL for more than nine years and was previously the Group Chief Executive Officer. He therefore does not meet the *Code's* independence on appointment criteria (provision 9). He also does not meet the duration of appointment provision (provision 19). The Company's explanation in relation to these matters is set out in the *Board Composition* section of this *Corporate Governance Report.*

LSL's purpose

During 2020, the Board conducted a Strategy Review. As part of this, the Board reviewed and revised LSL's *purpose statement* and the associated performance characteristics, which it first defined in 2019. The updated purpose and characteristics have been published on the Company's website (*lslps.co.uk*).

Further details of this work is set out in the *Purpose, Culture and Values* section of this *Corporate Governance Report.*

COVID-19 pandemic impact on corporate governance arrangements

During 2020, the Board considered the challenges to corporate governance arising from the COVID-19 pandemic. In particular, and in response to the requirement to work from home and avoid travel, the Board revised the way in which LSL engaged with Shareholders and other stakeholders, including holding a closed AGM with the Directors attending by conference call. Since the first lockdown in March 2020, the Directors have conducted most of their meetings by video conference or other remote methods and implemented Diligent software to manage the distribution of meeting papers.

In light of the COVID-19 pandemic, the Board will recommend to Shareholders at the 2021 AGM that LSL's articles of association are amended to explicitly permit hybrid general meetings (including AGMs) going forward, the intended use of which would be limited to exceptional circumstances such as the COVID-19 pandemic. Further details relating to this resolution will be included in the AGM Notice.

COVID-19 pandemic risks

For details on how LSL has managed risks relating to the COVID-19 pandemic see the *Audit & Risk Committee Report* and also the *Principal Risks and Uncertainties* sections of this Report.

Corporate Governance Reviews

As in previous years, the Board, the Audit & Risk Committee and the Executive Committee have continued to monitor reports on corporate governance reviews and proposals for reform to ensure that the Group's governance, internal controls and risk management arrangements remain appropriate and in line with best practice. This has included publications issued by the FRC relating to the holding of AGMs, improvements to corporate reporting and also to the regulation of audit firms. LSL is also monitoring the Government's plans to implement audit reforms and to replace the FRC with the *Audit, Reporting and Governance Authority.*

In 2021, LSL will continue to monitor the proposals for regulatory reforms which impact the Group's corporate governance arrangements and take steps to implement any changes required.

The Board

At 31 December 2020, the Board comprised three independent Non Executive Directors, three Executive Directors, plus the Chair. With effect from 28 April 2021, the Board will comprise two independent Non Executive Directors, one Non Executive Director (not independent), three Executive Directors and the Chair. Details of all Directors are set out in the table below.

During 2020 there were two Board changes. These were:

- the departure of Ian Crabb (Executive Director) on 30 April 2020; and
- the appointment of David Stewart as Group Chief Executive Officer on 1 May 2020.

From 28 April 2021 the following Board changes take effect:

- Simon Embley steps down from his roles as Chair of the Board and the Nominations Committee;
- Bill Shannon is appointed as Chair of the Board and steps down from his roles as Chair of the Remuneration Committee, Deputy Chair and Senior Independent Director; and
- Darrell Evans is appointed as Chair of the Remuneration Committee.

No Director was involved in any decision making relating to their change of roles. During 2021 the Board intends to recruit two independent Non Executive Directors. The Board also intends to nominate a new Senior Independent Director and a new Chair of the Audit & Risk Committee.

Director Details:

Director Name	Position(s)
Chair	
Simon Embley	*31 December 2020:* Non Executive Director – Chair of the Board and Chair of the Nominations Committee *28 April 2021:* Non Executive Director
Bill Shannon	*31 December 2020:* Independent Non Executive Director – Deputy Chair, Senior Independent Director, Chair of the Remuneration Committee and Chair of the Audit & Risk Committee *28 April 2021:* Non Executive Chair, Chair of Nominations Committee, Chair of Audit & Risk Committee and member of the Remuneration Committee
Executive	
David Stewart	Executive Director – Group Chief Executive Officer
Adam Castleton	Executive Director – Group Chief Financial Officer
Helen Buck	Executive Director – Estate Agency
Independent Non Executive Directors	
Darrell Evans	*31 December 2020:* Independent Non Executive Director – member of the Nominations Committee, Remuneration Committee and Audit & Risk Committee, and designated Non Executive Director for workforce engagement *28 April 2021:* Independent Non Executive Director – Chair of the Remuneration, member of the Nominations Committee, member of the Audit & Risk Committee, and designated Non Executive Director for workforce engagement
Gaby Appleton	Independent Non Executive Director – member of the Nominations Committee, Remuneration Committee and Audit & Risk Committee

Details of all of the Directors appointed as at the date of this Report are included in *The Board* section of this Report. In line with the provisions of the *Code*, all the Directors will retire from the Board at the AGM and stand for re-election. All the Directors are listed with their biographies in *The Board* section of this Report.

Board and Committee changes

On 1 May 2020, David Stewart was appointed as Group Chief Executive Officer, following the departure of Ian Crabb from the Board. Prior to his change in role, David had been an independent Non Executive Director since 2015 and was Chair of the Audit & Risk Committee. As a result of his new role, the Board appointed Bill Shannon as Chair of the Audit & Risk Committee, alongside his role as Chair of the Remuneration Committee, and Simon Embley became Chair of the Nominations Committee replacing Bill Shannon.

From 28 April 2021 Simon Embley steps down from his roles as Chair of the Board and Nominations Committee. He will stay on the LSL Board as a Non Executive Director, allowing the Group to continue to benefit from his knowledge and experience. This position will be kept under review.

At the same time, Bill Shannon, is appointed as Chair of the Board and the Nominations Committee. Bill also steps down from his roles as Chair of the Remuneration Committee, Deputy Chair and Senior Independent Director. Bill has been a member of the Board as an independent Non Executive Director since January 2014 and he is determined to meet the independence criteria as defined by provision 10 of the *Code*. Bill remains as Chair of the Audit & Risk Committee and is a member of the Remuneration Committee.

During 2021 the Board intends to recruit two independent Non Executive Directors. The Board also intends to nominate a new Senior Independent Director and a new Chair of the Audit & Risk Committee.

Director searches

Following the changes noted above, the number of independent Non Executive Directors on the Board reduces from three to two. During 2020, the Nominations Committee discussed the Board's composition and whether the Company should start a search for additional independent Non Executive Directors. Following its discussion, the Nominations Committee agreed to defer its search into 2021, to allow the Group to complete its 2020 Strategy Review. The Directors also agreed that the criteria for selecting and recruiting new Directors should be determined once the strategy work had been completed.

Promoting ethnic diversity

In its review of the Board's composition, the Nominations Committee noted the *Parker Review* targets for listed companies. While these targets only apply to FTSE 350 members, the Board supports the promotion of ethnic diversity and the aims of the *Parker Review*. The Board and the Nominations Committee have therefore agreed that they will each ensure that LSL's recruitment arrangements for Board positions take ethnic diversity into account and will seek to identify a diverse and inclusive selection of candidates. The Company will therefore include this as an explicit instruction to the recruitment or search agencies it engages. This instruction will support the Group's existing arrangements which seek to ensure the promotion of diversity in all of its Director searches.

For further information on LSL's work to promote diversity on the Board, see *Board Diversity* below which includes details of gender diversity amongst LSL's Directors. Further, information relating to diversity across the Group, is included within the *Environment, Social and Governance Report* of this Report.

Board composition

Non Executive Directors

During 2020 all the Non Executive Directors (excluding the Chair) were considered by the Board (and for the purposes of provision 10 of the *Code*) to be independent of management and free of any relationship which could materially interfere with their ability to exercise independent judgement. From 28 April 2021 two of the Non Executive Directors will be independent.

During 2020, the Board's composition complied with provision 11 of the *Code*, with half of the Board (excluding the Chair) being independent Non Executive Directors.

The current Non Executive Directors have a range of experiences, which are described in more detail in the *Nominations Committee section* of this *Corporate Governance Report*.

Chair – Simon Embley

During 2020, the Chair did not meet the *Code's* criterion of independence at the time of his appointment (provision 9), nor the duration of appointment criterion (provision 19), because he was previously the Group Chief Executive Officer of LSL and has been a Board member for more than nine years.

Simon Embley was first appointed to the Board in 2004, when the management buy-out of Your Move and e.surv completed. LSL listed on the London Stock Exchange in 2006 and Simon was Group Chief Executive Officer until 2014, when he became Deputy Chair. Simon was appointed Non Executive Chair in 2015. His current term started on 1 January 2021 and is due to expire on 31 December 2023.

The changes in Simon's role during his time on the Board reflects the Board's desire to retain his knowledge and experience of the financial services and residential property markets (including estate agency and surveying and valuation services) and ensure that LSL continues to benefit from his track record of delivering Shareholder value over the long term.

The Directors also sought to provide support and balance to the Board by the appointment of an independent Non Executive Director into the role of Deputy Chair.

Prior to Simon's appointment as Non Executive Chair, LSL consulted with significant Shareholders and took their feedback into account. LSL also takes Shareholder feedback into account at each AGM where Simon, along with the rest of the Board, has stood for re-election each year. The proxy results each year relating to Simon's re-election have confirmed Shareholder support for his continued appointment to the Board.

Chair – Bill Shannon

Bill Shannon is appointed with effect from 28 April 2021 as Chair and he meets the *Code's* criterion on independence at appointment (provision 9) and his term on the Board complies with provision 19. Bill joined the Board in 2014. Prior to his appointment as Chair, Bill was also Deputy Chair and Senior Independent Director.

The Board has ensured that it has effective governance and leadership arrangements in place, in accordance with the *Code's* principles on the division of responsibilities, by establishing clear roles and responsibilities (see below) and encouraging a culture of openness and debate, which is further considered in the annual evaluation exercise.

Through its annual evaluation and the work of the Nominations Committee, the Board has ensured ongoing adherence to the *Code's* principles relating to its composition, succession planning and evaluation arrangements.

During 2020, the Board considered engaging an external facilitator to support the Board and Committee evaluation process. However, this was deferred to allow the Board time to adjust to the role changes which had taken place and because of the COVID-19 pandemic. In addition, the Directors chose to defer the evaluation until they had agreed the strategy as it would be more beneficial to evaluate the Board and Committee's skills and composition in light of the new strategy. See also *Board and Committee evaluation reporting* on pages 67 and 68 of this Report.

Roles of the Chair, Deputy Chair and Senior Independent Director, and Group Chief Executive Officer

During 2020 there was clear division of responsibilities between LSL's Chair, Deputy Chair and Senior Independent Director and the Group Chief Executive Officer. These responsibilities were documented, approved by the Board and are available on the LSL website (*lslps.co.uk*).

The role of Deputy Chair ceases to exist from 28 April 2021 and the Board intends to appoint a Senior Independent Director during 2021.

Chair:

The role of Chair is pivotal in creating the conditions for overall Board and individual Director effectiveness.

The Chair is responsible for leading the Board and setting its agenda. He ensures that the Board's discussions are focused on key issues including strategy, performance, value creation, culture, key stakeholders and accountability, and that issues relevant to these areas are reserved for Board decision. He also ensures that the Board has effective decision making processes and sufficiently challenges major proposals.

The Chair shapes the culture of the boardroom and sets clear expectations concerning the style and tone of Board discussions. He makes certain that all Directors are aware of their responsibilities and promotes a culture of openness and debate, encouraging all Directors to engage in Board and Committee meetings by drawing on their skills, experience, and knowledge. He fosters relationships between the Non Executive and Executive Directors based on trust, mutual respect and open communication. The Chair also meets with the Non Executive Directors without the Executive Directors present, to facilitate a full and frank airing of views.

The Chair ensures that the Directors receive accurate, timely, and clear information and that the Board has effective communications with all of LSL's key stakeholders, including its Shareholders, employees, suppliers, customers, and regulators. For further information see the *Stakeholder Engagement Arrangements* section of this Report.

The Chair supports and advises the Group Chief Executive Officer, while respecting Executive responsibility, and guides and mentors new Directors as appropriate. The Chair will also ensure that the Directors continually update their skills, knowledge, and familiarity with LSL, so they can continue to effectively fulfil their roles as members of the Board and its Committees.

The Chair leads the annual Board and Committee evaluation exercise, with support from the Deputy Chair (who is also the Senior Independent Director). The Company Secretary ensures that the Board and its Committees act on its results. The Chair will also periodically consider undertaking an externally facilitated evaluation exercise. For further details, see the *Board, Committees and Directors' evaluation* section below.

Group Chief Executive Officer:

The Group Chief Executive Officer's key responsibility is to run the business, using delegated powers set by the Board. As the most senior Executive Director, the Group Chief Executive Officer is responsible for proposing Company strategy and for delivering the strategy agreed by the Board. He has primary responsibility for setting an example to employees, for ensuring they understand the Board's expectations about culture and that the Group's policies and practices drive appropriate behaviour. He also ensures that the Board is aware of views gathered from meetings between management and the workforce.

The Group Chief Executive Officer supports the Chair in ensuring that appropriate standards of governance permeate through all parts of the organisation. He ensures the Board is aware of management's views of business issues, in order to improve the standard of discussion in the boardroom and, prior to a final decision on an issue, will explain in a balanced way any divergence of view.

The Group Chief Executive Officer is also responsible for ensuring that management fulfils its obligation to provide the Directors with:

- accurate, timely, and clear information, in a form and of a quality and comprehensiveness that will enable them to discharge their duties;
- the necessary resources for developing and updating their knowledge and capabilities; and
- appropriate knowledge of the Group, including access to the Group's operations and members of the workforce.

Deputy Chair and Senior Independent Director:
During 2020 LSL's Deputy Chair and Senior Independent Director acted as a sounding board for the Chair, supporting the Chair in the delivery of his objectives, and led the annual evaluation of the Chair on behalf of the other Directors (see below for details of the annual evaluation exercise). The Deputy Chair and Senior Independent Director also took responsibility for ensuring an orderly succession process for the Chair, save that Bill Shannon was not involved in the decision relating to his appointment as Non Executive Chair.

The Deputy Chair and Senior Independent Director also worked closely with the Chair, the Group Chief Executive Officer and the other Directors to resolve significant issues. The Board has a clear understanding of his role and responsibilities.

With effect from 28 April 2021 the role of Deputy Chair ceases to exist.

Bill Shannon who was Deputy Chair and Senior Independent Director up to 27 April 2021 is available to meet with Shareholders if they should wish.

Simon Embley's other appointments
Simon Embley's other board appointments comprise a small estate management company, Eveclo Holdings (an IT business) and Road to Health (a healthcare provider). He is also non executive chair of Global Property Ventures, trading as Zero Deposit, which distributes a tenant deposit replacement product. The Board does not consider that these other interests interfere or compromise in any way Simon's discharge of his duties as Non Executive Chair.

Bill Shannon's other appointments
Bill Shannon's other board appointments comprise the non executive chair of Johnson Service Group plc and he is a Council Member at the University of Southampton. The Board does not consider that these other interests interfere or compromise in any way Bill's discharge of his duties as Non Executive Chair.

David Stewart's other appointments
In addition to his director appointments within the LSL Group, including his role as Group Chief Executive Officer, David Stewart is the non executive chair of the Enra Group. David held this position prior to being appointed as Group Chief Executive Officer and the Board does not consider that this other interest interferes or compromises in any way David's discharge of his duties as Group Chief Executive Officer.

Board, Committees and Directors' Evaluation

The process
During the year, the Directors continuously monitor and review their performance and are encouraged to provide feedback on the effectiveness of the Board and its Committees. In accordance with the *Code*, the Directors also completed an annual evaluation exercise, which was conducted with the assistance of the Company Secretary. The process included an evaluation of the Board, its Committees and individual Directors. It was led by the Chair, with support from the Deputy Chair (who was also the Senior Independent Director) as appropriate. The Deputy Chair led the Non Executive Directors in evaluating the Chair, after taking into account the views of the Executive Directors.

LSL's evaluation exercise is bespoke in its formulation and delivery. The practice includes the completion of a questionnaire, supported by discussions between each Director and the Chair, meetings of the Board and discussions between the Non Executive Directors. In addition, the Chair considered ways in which the Directors can formally include feedback from key stakeholders.

Whilst the 2020 exercise did not involve an external facilitator, the Chair monitored the need for an externally facilitated evaluation and this is done on an ongoing basis. The Directors also note ICSA's publication of its report in January 2021, *Review of the effectiveness of independent board evaluation in the UK listed sector.* This review was requested by the Department of Business, Energy & Industrial Strategy (BEIS), which invited ICSA to convene a group including representatives from the investment community and companies. The review aimed to identify ways to improve the quality and effectiveness of board evaluations, including developing a code of practice for external board evaluations. A draft code was published alongside the review findings. The ICSA report includes a number of recommendations to support and promote the use of independent board evaluation, which LSL will consider and take into account in planning its 2021 evaluation exercise.

2020 evaluation
The 2020 exercise considered: the Board's balance of skills, experience, independence and knowledge; its diversity (including gender and ethnicity); how the Board works together as a unit; and other factors relevant to its effectiveness.

The exercise sought to ensure that the Directors remain individually and collectively effective and that the Chair, with the support of the Company Secretary, ensures that the Board acts on the evaluation results by recognising its strengths, addressing its weaknesses and, where appropriate, reviewing its composition.

Individual Director evaluations consider each person's contribution, to ensure they continue to contribute effectively and demonstrate their commitment to the role (including commitment of time for Board and Committee meetings and any other duties). The evaluation exercise forms a useful part of the Board's succession planning, as it provides an opportunity to review skills, assess composition and agree plans for filling any gaps in skills and diversity.

No significant issues requiring action arose from the 2020 evaluations and the outcomes of the exercise were reported to, and discussed by, the Board. The appraisal confirmed that the Board and its Committees were discharging their responsibilities effectively and produced a number of recommendations to further improve the effectiveness of the Board.

As a result of the 2020 exercise, during 2021 the Board will undertake the following:

a. Review of Board and Committee meeting and reporting arrangements.
   - The review of reporting will develop consistent reporting styles to be used to support and promote Board and Committee effectiveness.
   - The review of meeting arrangements will review meeting frequency, timings, and method of meeting to ensure to support and promote Board and Committee effectiveness. Where relevant, this will consider the new ways of working identified because of the COVID-19 pandemic.

b. Continued focus on succession planning for Directors and Management Team to address the importance of promoting diversity of gender, colour, skills, expertise and experience and to strengthen the Board's composition in areas such as technology and financial services.

c. Recruitment of additional Non Executive Directors to be undertaken in 2021 to specifically address Director succession planning relating to the roles of Senior Independent Director and Chair of the Audit & Risk Committee.

d. Undertake externally facilitated evaluation exercise in 2021 (action deferred from 2020).

e. Continue to develop the Group's ESG programme and strategy and review stakeholder engagement arrangements, including Shareholder engagement.

As part of the 2020 annual evaluation exercise, the Directors considered and determined that they were satisfied that the balance of Executive and Non Executive Directors on the Board was appropriate during 2020 and that no individual or group dominated the Board's decisions. As stated above, during 2021 the Board intends to recruit two additional independent Non Executive Directors to support the balance on the Board.

Implementation of 2019 evaluation recommendations

The actions agreed during the 2019 evaluation process were progressed in 2020. LSL implemented new Board and Committee reporting and meeting arrangements, in addition to responding to the challenges presented by the COVID-19 pandemic. This has included rolling out the Diligent reporting system and using video conferencing for Board and Committee meetings. LSL also considered using an external facilitator for the annual evaluation exercise and decided to defer it until 2021, due to the Board changes which had taken place, the COVID-19 pandemic and to delay until after the Board had agreed its new strategy.

Board diversity (including gender and ethnicity)

LSL continues to recognise the benefits of diversity on the Board, including relevant professional skills, experience, gender and race in addition to individual cognitive and personal strengths. In line with the *Code*, the Directors also recognise that diversity in the boardroom has a positive effect on decision making and notes that the *Code* recommends that companies decide on which aspects of diversity are important to them in the context of their business and needs.

In carrying out their assessment, the Directors have considered a range of aspects of diversity and concluded that the current Board composition includes a wide range of skills and expertise that are relevant to the Group's businesses and needs. The Directors also believe that diversity of personal attributes, including racial and social backgrounds is also important, and ensures that this is taken into account in the search and recruitment of new directors.

Skills and experience diversity

During 2020, the Board's composition included expertise, skills and experience in strategy, financial services, technology, surveying and valuation services, residential property services, the residential housing sector, commercial property, sales and marketing, operations, entrepreneurial private and public companies, finance, consumer and employee matters, corporate governance, professional information solutions, and risk and compliance. Further, taking into account the importance of Financial Services to the Group's strategy, the Nominations Committee has taken steps to ensure that the Board includes Directors with significant experience of operating in regulated financial services businesses.

Gender diversity

During 2020 and as at the date of this Report, the Board includes two female Directors, Helen Buck (Executive Director – Estate Agency) and Gaby Appleton (independent Non Executive Director). See also the *ESG section* of this Report for details of the gender split within the Group's Management Team and the Group's employees.

Ethnic diversity
As stated above, the LSL Directors believe that diversity on the Board, within the Management Team and the general Group workforce has a positive impact on the Group's performance. To date, LSL has not adopted a formal diversity policy in relation to the Board's composition because the Directors have considered that the setting of diversity related targets (for example the number of female directors) in relation to Director appointments was not necessary.

During 2020, the Board and the Nominations Committee considered the *Parker Review* and its recommendations. Following a Nominations Committee discussion, LSL is now progressing initiatives to promote inclusivity and diversity across the Group. This includes the Directors confirming their support for the recommendations of the *Parker Review* and taking steps to promote ethnic diversity in the boardroom and across the Group's workforce.

During 2021, LSL will develop and document the Board's policy on diversity and the 2021 Annual Report will describe the Group's efforts to promote, amongst other things, ethnic diversity within the Group, including on the Board. The Group's *Stakeholder Engagement* reporting in 2021 (section 172 of the Companies Act) will include details of the Group's activities in relation to diversity and the Nominations Committee report will discuss the promotion of ethnic diversity, as part of its reporting on Director appointments and the Board's annual evaluation process.

For details relating to diversity and workforce initiatives, refer to the ESG section of this Report.

Diversity in recruitment and succession planning
During 2020, as Chair of the Board and the Nominations Committee, Simon Embley, with the support of the Group HR Director, ensured that all searches for directors and senior managers consider the benefits of diversity, including professional skills, experience, gender, social and ethnic backgrounds. Bill Shannon will ensure that this continues in his role as Chair of the Board and Nominations Committee.

With regard to ethnic diversity on the Board, the Group HR Director is overseeing arrangements to ensure that candidates for appointment as a Director include qualified people of colour. Similar arrangements are already in place for the promotion of gender diversity. When using external search agencies and executive search firms, LSL will instruct firms who have signed up to the *Standard Voluntary Code of Conduct*, to support the recruitment of ethnic minority candidates as directors.

In relation to the Group's succession planning, the Group Chief Executive Officer, with support from the Group HR Director, is developing a mechanism to identify, develop and promote inclusivity and diversity (including gender and ethnicity) within the Group. This will ensure that, over time, there is a pipeline of Board-capable candidates and that the Group's managerial and executive ranks appropriately reflect the importance of inclusivity and diversity to the Group.

For further information on how the Nominations Committee ensures the promotion of diversity within the Group, see the *Nominations Committee section*. See also the *Stakeholder Engagement* reporting in relation to LSL's workforce engagement programme, in addition to reporting required by s172 of the Companies Act on pages 47 and 48.

Directors' service agreements and letters of appointment
Copies of the Executive Directors' service agreements and of the Non Executive Directors' letters of appointment are available for inspection at the Registered Office during normal business hours and at each AGM. During the COVID-19 pandemic and any related national or local lockdown, inspection can be arranged by other means via the company secretarial team. Further details of the Executive Directors' service agreements and Non Executive Directors' letters of appointment are contained in the *Directors' Remuneration Report*.

Director support (including the role of the Company Secretary)
All Directors have access to independent professional advice at LSL's expense, where they judge it necessary to discharge their responsibilities. This is in addition to the access every Director has to the Company Secretary and the Group HR Director and their teams.

The Company Secretary is responsible for ensuring that Board procedures are complied with, advising the Board on all governance matters, supporting the Chair of the Board and each of the Committees, and helping the Board and its Committees to function efficiently. She reports to the Chair and the Deputy Chair and Senior Independent Director on all governance matters and to Executive Directors in relation to other executive management responsibilities.

The Company Secretary's responsibilities include ensuring information flows efficiently within the Board and its Committees and between Management Team and the Non Executive Directors. The Company Secretary also works alongside the Group HR Director, facilitating Board and Management Team inductions, arranging Board training and assisting with professional development as required.

The Company Secretary and Group HR Director arrange resources to develop and update the Directors' knowledge and capabilities. Training is delivered in a way that is appropriate to the particular Director and that aims to enhance that Director's effectiveness as a part of the Board or its Committees, in line with the results of the Board evaluation process.

The Company Secretary also assists the Chair in establishing the policies and processes the Board needs to function properly and this is a core part of the role.

The Company Secretary's effectiveness is enhanced by building relationships of mutual trust with the Chair, the Deputy Chair and Senior Independent Director, and each of the Non Executive Directors, while maintaining the confidence of Executive Director colleagues. As the

Code identifies, the role of Company Secretary is in a unique position between the Executive and the Board and is well placed to take responsibility for concerns raised by the workforce about conduct, financial improprieties or other matters.

Director induction and training

Each newly appointed Director receives a comprehensive, tailored induction on a range of topics, including, as appropriate, the responsibilities of a director of a public listed company and LSL's businesses. Thereafter, the Company, with the support of the Company Secretary and the Group HR Director, provides the necessary resources for developing this understanding and knowledge. The Chair also reviews and agrees any training and development needs with each Director and these needs are also discussed as part of the annual evaluation exercise.

During 2020, LSL completed an annual review of its induction and training arrangements, to ensure it continued to take into account the requirements of the *Code*, and specifically to ensure that LSL's approach to stakeholder engagement was included in the induction programme for new Directors. The Company Secretary and Group HR Director ensure that the Director induction and training arrangements are reviewed regularly with updates provided to the Board.

Each year, the Board normally receives a training session on governance matters delivered by an internal or external specialist. However, due to the COVID-19 pandemic and the impact on Board meeting arrangements, this did not take place in 2020. Subject to the continued impact of the COVID-19 pandemic, planning is underway to schedule Director training in 2021.

During 2020 and into 2021, arrangements have been put in place to support the Board and Committee changes which took place on 1 May 2020 and are effective on 28 April 2021.

Board and committee meetings

Each year LSL puts in place a planner of Board and Committee meetings including strategy and three year planning meetings. Additional meetings will also be scheduled during the year in response to matters arising during the year. Further, the Non Executive Directors will meet without the Executive Directors during the year.

During 2020, the Board held a total of 17 meetings which included both scheduled and additional meetings and included two strategy meetings. The table below reports the number of meetings attended by each Director.

Each Director was able to allocate sufficient time to LSL to discharge their responsibilities effectively, as shown by the attendance of each Director at all Board and Committee meetings (see below).

Since March 2020, due to the COVID-19 pandemic, most Board and Committee meetings have been held by remote means. The Board and Committees' discussions have been supported by the implementation of Diligent board management software, to distribute and manage meeting materials.

In 2020, the Non Executive Directors met at least twice without the Executive Directors being present. These meetings usually take place before or after a scheduled Board or Committee meeting.

In addition, the independent Non Executive Directors meet at least once a year without the Chair being present. This meeting was chaired by Bill Shannon, as the Deputy Chair and Senior Independent Director.

2020 Board and Committee attendance:

Board member	Position during 2020	Board meetings (including strategy meetings)	Audit & Risk Committee meetings	Remuneration Committee meetings	Nominations Committee meetings
Simon Embley[1]	Non Executive Chair	17	–	–	1
Bill Shannon[2]	Deputy Chair and Senior Independent Director	17	4	8	2
Ian Crabb[3]	Group Chief Executive Officer	6	–	–	–
Adam Castleton[4]	Group Chief Financial Officer	16	–	–	–
Helen Buck	Executive Director – Estate Agency	17	–	–	–
Darrell Evans[5]	Independent Non Executive Director	17	4	7	2
David Stewart[6]	Independent Non Executive Director	7	1	3	1
	Executive Director	10	–	–	–
Gaby Appleton[7]	Independent Non Executive Director	17	4	7	2

Notes:
[1] Simon Embley joined the Nominations Committee and was appointed as its Chair on 1 May 2020. He steps down from his role as Chair of the Board and Nominations Committee with effect from 28 April 2021.
[2] Bill Shannon is appointed as Chair of the Board and the Nominations Committee with effect from 28 April 2021. At the same time he steps down from his roles as Deputy Chair, Senior Independent Director and Chair of the Remuneration Committee.
[3] Ian Crabb departed from the Board on 30 April 2020.
[4] Adam Castleton missed one meeting. He received the papers prior to the meeting and was able to provide feedback to the other Directors for consideration at the meeting.
[5] Darrell Evans missed one Remuneration Committee meeting. He received the papers prior to the meeting and was able to provide feedback to the other Directors for consideration at the meeting. With effect from 28 April 2020, Darrell is appointed as Chair of the Remuneration Committee.
[6] David Stewart ceased his role as an independent Non Executive Director and was appointed as Group Chief Executive Officer with effect from 1 May 2020.
[7] Gaby Appleton missed one Remuneration Committee meeting. She received the papers prior to the meeting and was able to provide feedback to the other Directors for consideration at the meeting.

Director elections

LSL's Articles of Association stipulate that all the Directors appointed since the previous AGM and one third of the remaining Directors, including any Director who has not been elected or re-elected at either of the two preceding AGMs, are required to retire and seek election or re-election as appropriate. Notwithstanding this, since 2012 LSL has adopted annual elections for all Directors, in accordance with best practice under the *Code* and by an amendment to the *Nominations Committee terms of reference*. Accordingly, all the Directors will stand for re-election at the forthcoming AGM.

Board role and responsibilities

The Board is primarily responsible for establishing the Group's purpose, the overall management of the Group and for decisions on Group strategy. This includes approving:

- the Group's strategy;
- its annual business plans and budgets;
- the interim and full year financial statements and reports;
- any dividend proposals;
- the Group's accounting policies;
- any major capital projects;
- any investments and disposals; and
- its succession plans.

The Board also monitors financial performance against budget and forecast, and formulates the Group's risk appetite framework, including the identification, assessment and monitoring of LSL's principal risks and uncertainties.

In accordance with best practice, LSL has adopted a policy of *Matters Reserved for the Board*, which the Board reviews at least annually. This policy delegates a range of matters to the Management Team, including day-to-day management decisions for the Group and the execution of the Group's strategy. The policy stipulates the decisions which require Board approval and which decisions are to be taken by the Management Team.

The Board has adopted principles of good boardroom practice, which set out procedures on how Directors are given accurate, timely and clear information and how they can seek and obtain the information or advice necessary for them to discharge their duties. These arrangements are monitored by the Chair and the Company Secretary and reviewed annually by the Directors as part of the Board's evaluation process.

Governance

The Board has a programme of regular reviews of LSL's performance and developing best practice in areas such as employment, health and safety, the environment, and social and community interests, including human rights and ethical issues.

Stakeholder engagement - workforce engagement (the Code)

In accordance with the *Code*, during 2020 the Directors have engaged with the Group's workforce and had regard of the need to foster LSL's relationships with all key stakeholders, including Shareholders, employees, suppliers, customers and regulators (see the *Stakeholder Engagement* section of this Report for further details.)

In relation to principle D and provision 5 of the *Code*, in 2019 the Board designated Darrell Evans as the independent Non Executive Director for workforce engagement. Darrell is supported by the Group HR Director and the Company Secretary. A role profile has been prepared for this role, which takes into account the requirements of the *Code*.

Darrell establishes regular dialogue with the Group's employees through the Group Employee Engagement Forum. This includes Darrell's attendance at a meeting with this forum after the annual employee survey results have been published. This maximises the effectiveness of the meeting, by enabling the Group to analyse current employee views.

During the year, Darrell met the Group Employee Engagement Forum twice, with the discussions covering the COVID-19 pandemic, including the Board's responses and the impact on the Group's trading, employee equality and diversity matters, recognition of employees in relation to the pandemic and use of further employee engagement mechanisms, including pulse surveys.

As well as engaging with the Group Employee Engagement Forum, other examples of Darrell discharging his responsibilities as the designated workforce engagement Director include:

- providing the employee perspective in the Board's discussions regarding employee welfare arrangements, in response to the COVID-19 pandemic; and
- identifying an opportunity for the Group Employee Engagement Forum to provide input on the development of recognition for staff, in relation to their efforts or sacrifice during the pandemic.

Purpose, culture and values

LSL's purpose. We provide first class services to mortgage intermediaries, estate agents, lenders and their customers, to create long term benefits for external stakeholders and our people.

During 2019, with support from the Executive Committee, the Board defined LSL's purpose and a set of associated aspirational performance characteristics. These were updated during 2020 as part of the Group's strategy review. A review of the Group's strategic framework will also be undertaken during 2021 and this will include a review of LSL's purpose, vision and values.

The purpose statement and aspirational performance characteristics are all published on LSL's website (*lslps.co.uk*).

Defining *LSL's Purpose Statement* and the associated aspirational performance characteristics assists the Board and the Executive Committee in monitoring the alignment of strategy and culture to LSL's purpose. In defining its purpose, the Board recognised the Group's structure and business model and its diversity of businesses. Whilst the Board did not wish to affect locally agreed arrangements, in 2019 it requested that the Executive Committee review divisional approaches to culture and values and, in the event that any conflicts in culture and values were identified, to confirm that these were addressed to ensure alignment with the Group's culture and values.

During 2020, a mapping exercise of the purpose, vision and values of the Group's businesses was undertaken, which did not identify any conflicts in approach to culture and values.

Following this exercise, the Board has adopted the following values for the Group:

- ***People Focused:*** *Customers and employees are at the heart of our business.*
- ***Market Leaders:*** *To be the market leaders in our markets, stand out choice.*
- ***Honesty:*** *Valuing honesty and integrity in our approach to business.*
- ***Promise:*** *Delivery on promises.*
- ***Teamwork:*** *Work together to deliver more.*
- ***Innovation:*** *Learning from what we do, find better ways to do things.*

Environmental, Social and Governance (ESG) issues

LSL believes that an effective approach to ESG issues is necessary, to support responsible business decisions that consider the broad impact of the Group's actions on people, communities and the environment. Accordingly, the Board takes account of the significance of ESG issues when making decisions.

During 2020, David Stewart as Group Chief Executive Officer sponsored a new project to develop LSL's ESG strategy. This work is set to continue during 2021. The Board is also closely monitoring publications on the topic of ESG, including guidance from the FRC and Shareholder groups. In addition, LSL has adopted a new *Environmental Policy* and is putting in place arrangements to report in line with the *Task Force on Climate-Related Financial Disclosures* in addition to progressing towards a net zero ambition. The Annual Report and Accounts 2021 will include reporting on LSL's progress in 2021. Further details of LSL's ESG activities can be found in the *Environment, Social and Governance Report* section of this Report.

Regulatory reporting

During 2020, the Board closely monitored reviews and proposals for reforms, which included focus on auditor regulation and the replacement of the FRC, ethnic pay reporting, and climate related reporting.

The Board also continued to receive regular updates on arrangements relating to *Reporting on Payment Practices Regulations 2017*, the *Modern Slavery Act 2015*, the *Bribery Act 2010*, the *Equality Act 2010 (Gender Pay Gap Information) Regulations 2017* and the *Criminal Finances Act 2017*.

The Board has also been monitoring developments in relation to laws and regulations which directly impact the businesses within LSL's Divisions. Further details relating to these are included in the *Business Review* sections of this Report.

Director conflicts of interest

Under the Companies Act 2006, a director must avoid a situation where he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interest. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where appropriate and where the articles of association contain a provision to this effect, as *LSL's Articles of Association* do. Accordingly, the Board has adopted procedures for the Directors to report any potential or actual conflict to the Board for their authorisation where appropriate. Each Director is aware of the requirement to seek the approval of the Board for any new conflict situations, as they may arise. Conflicts disclosed and authorisations given are reviewed annually and following the appointment of any new Director. Any conflicts, or potential conflicts, considered by the Board and any authorisations given are recorded in the Board minutes and in a register of Director's conflicts, which is maintained by the Company Secretary.

Board Committees

The Board has delegated specific responsibilities to three standing Committees of the Board:

- Nominations Committee;
- Remuneration Committee; and
- Audit & Risk Committee.

In addition, the Board has established a Disclosure Committee to ensure timely and accurate disclosures to the market.

The membership of the three Committees and a summary of their main duties under their terms of reference are set out below. The full terms of reference may be viewed on LSL's website (*lslps.co.uk*).

During 2018, the Board reviewed the terms of reference for each Committee and updated them to ensure compliance with the *Code* and the *FRC Guidance on Board Effectiveness*. An annual review of the Committees' terms of reference was undertaken in 2020 and they were updated to reflect best practice published by ICSA.

Simon Embley, Bill Shannon and Darrell Evans will all be available at the 2021 AGM to answer any questions relating to the work of the Committees during 2020 and 2021.

Nominations Committee

During 2020, Bill Shannon was the Chair of the Nominations Committee until 1 May 2020, when Simon Embley joined the Committee and took over this role. Bill remained a member of the Committee. Its other members were David Stewart (until 1 May 2020), Darrell Evans and Gaby Appleton. With effect from 28 April 2021, Bill Shannon is appointed as Chair of the Nominations Committee and its other members are Darrell Evans, Gaby Appleton.

Role and responsibilities of the Nominations Committee

The Board established the Nominations Committee to lead the process for Board appointments and to oversee succession planning including providing support to the development of a diverse pipeline. The Committee also provides oversight on how the Board evaluation is conducted.

In discharging its responsibilities, the Committee takes account of the requirements of the *Listing Rules* and *Disclosure Guidance and Transparency Rules*, together with guidance issued by the FRC (including the *Code*).

The Committee's duties are governed by its terms of reference, which were reviewed in 2020 to ensure continued compliance with the *Code* and updated with effect from 1 January 2020, to follow best practice guidance published by the ICSA. The terms of reference are available from the Company Secretary or the LSL website *(lslps.co.uk)*.

The Nominations Committee's role and responsibilities include the following:

a. regularly reviewing the structure, size and composition (including skills, knowledge and experience) required of the Board and its Committees, taking into account LSL's strategy and the Board's knowledge and understanding of the Group's key stakeholders; and making recommendations to the Board with regard to any changes;
b. recommending appointments to the Board (Executive and Non Executive Directors) after evaluating the balance of skills, experience, independence and knowledge on the Board, and taking into account the need for diversity (including gender and ethnicity). The Nominations Committee will also prepare a description of the role and capabilities required for a particular appointment and will consider the need for the adoption of a diversity policy;
c. ensuring that any Director searches are conducted, and appointments are made, on merit, against objective criteria, with due regard for the benefits of diversity, including gender and ethnicity;
d. giving full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing LSL, and what skills and expertise are therefore needed on the Board and its Committees in the future. The Nominations Committee will also satisfy itself that plans are in place for orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within the Group and on the Board and its Committees;
e. ensuring a performance evaluation of the Board, its Committees and individual Directors is undertaken each year and providing oversight on how the evaluation is conducted;
f. keeping under review the leadership needs of the Group at varying levels, with a view to ensuring the continued ability to compete effectively in LSL's marketplaces; and
g. as part of the process for nominating candidates for any appointments, obtain details of and review any interests that the candidate may have which conflict or may conflict with the interests of LSL.

Nominations Committee Report

What the Nominations Committee did in 2020

The Nominations Committee met twice in 2020 and both meetings were scheduled. The Group Chief Executive Officer, the Group HR Director and the Company Secretary were invited to attend all or parts of the scheduled meetings, to assist the Nominations Committee in its deliberations. Simon Embley became a member and took over as Chair of the Committee on 1 May 2020. Prior to this he attended the Committee's meetings by invitation.

During the year, the Nominations Committee considered the following matters:

a. completed Board and Committee composition and succession plan reviews;
b. recommended appointments in relation to the Chairs of the Nominations Committee, Audit & Risk Committee and the Remuneration Committee;
c. Executive Committee and senior management performance and succession planning arrangements;
d. the *Parker Review* reports on Board and workforce diversity;
e. provide oversight of the Board and Committee evaluation exercise (including a review of the Committee's performance); and
f. review the Committee's terms of reference, to ensure compliance with the *Code* and related FRC and ICSA guidance.

As part of its discussions in 2020, the Nominations Committee considered FRC guidance and other publications relevant to its roles and responsibilities, including feedback from Shareholders and updates received from proxy agencies.

In 2020 and up to the date of this Report, the Committee's recommendations to the Board included the following matters:

a. succession plans for both Executive Directors and Non Executive Directors (in particular, for key roles of the Chair and the Group Chief Executive Officer);
b. recommending the appointment of David Stewart as the Group Chief Executive Officer and resulting Committee changes;
c. recommending the extension of appointment terms for Simon Embley;
d. recommending Darrell Evans be appointed as Chair of the Remuneration Committee in 2021;
e. approving appointments to senior management positions;
f. corporate governance updates, including discussing arrangements relating to the promotion of ethnic diversity and a review of the Parker Review findings. This included the Nominations Committee agreeing, alongside the Board, that LSL will ensure that any Director recruitment arrangements take into account diversity (including gender and ethnicity) and will seek to identify a diverse selection of candidates for consideration; and
g. reporting on its activities within LSL's Annual Report and Accounts.

Director searches

LSL did not undertake any searches during 2020 in relation to recruiting a new independent Non Executive Director. The Nominations Committee intends to undertake searches in 2021 for the appointment of two new independent Non Executive Directors and is seeking to nominate a new Senior Independent Director and Chair of the Audit & Risk Committee. For details about the Board and Committee changes which took place during 2020 and with effect from 28 April 2021, see above.

Governance

In carrying out its duties, the Nominations Committee takes into account both the requirements of the *Listing Rules* (together with requirements issued by the FCA), the *Code* and related guidance issued by the FRC and other relevant bodies (for example ICSA), together with the requirements of the Board.

During 2020, the Nominations Committee continued to monitor corporate governance developments and during its discussions it considered the *Code* and the FRC *Guidance on Board Effectiveness*.

Board composition and diversity

For details of LSL's approach to diversity and the Company's plans, see above *Diversity (including gender)*.

Remuneration Committee

During 2020, Bill Shannon was the Chair of the Remuneration Committee and its other members were David Stewart (until 1 May 2020), Darrell Evans and Gaby Appleton. With effect from 28 April 2021, Darrell Evans takes over as Chair of the Remuneration Committee. Darrell has been a member of the Committee since 2019 and therefore his appointment as Chair complies with the *Code* (provision 32). It's other members are Bill Shannon and Gaby Appleton.

The Remuneration Committee met eight times in the year. These included scheduled and additional meetings arranged specifically to discuss remuneration matters relating to the COVID-19 pandemic. The Committee is supported by the Company Secretary and the Group Chief Executive Officer, the Chair and the Group HR Director were each invited to attend all or part of these meetings, to assist the Committee's deliberations.

Roles and responsibilities of the Remuneration Committee

The Remuneration Committee has delegated responsibility for determining the policy for Executive Director remuneration and setting remuneration for the Chair, the Executive Directors and senior management. The Committee also reviews workforce remuneration and the alignment of incentives and rewards with LSL's culture, taking these into account when setting the policy for Executive Director remuneration.

The Remuneration Committee does not consider remuneration of the Non Executive Directors, as this is a matter for the Board.

The duties of the Remuneration Committee are governed by its terms of reference, which were reviewed and updated in 2020 with effect from 1 January 2021, to reflect best practice issued by the ICSA. The terms of reference are available from the Company Secretary or the LSL website (*lslps.co.uk*).

The Remuneration Committee's roles and responsibilities include the following:

- determining the policy and setting the remuneration for the Chair, the Executive Directors and senior management (the definition of senior management for this purpose is determined by the Board and is currently defined as the most senior job grades in the Group) including determining remuneration for new appointments and executives leaving the Group;
- reviewing the design of schemes for performance related remuneration, which include discretion to override formulaic outcomes and provisions to enable recovery or the withholding of payments where it is appropriate to do so;
- reviewing share incentive plan arrangements for approval by the Board and Shareholders;
- setting performance targets for performance related remuneration and determining performance against them and the associated remuneration outcome; and
- reviewing workforce remuneration and related policies and the alignment of these incentives and rewards with culture.

The *Directors' Remuneration Report* provides details of how the Remuneration Committee discharged its duties during 2020 in addition to the summary below.

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

What the Remuneration Committee did in 2020

During the year, the Remuneration Committee:

a. considered a range of remuneration matters relating to the proposed merger with Countrywide plc, as part of the Board's evaluation of the transaction;
b. reviewed the impact of COVID-19 on remuneration and benefits, including approving a proposal to award shares to employees to recognise their efforts and sacrifices in relation to the first lockdown, including an all employee share award and an LTIP for a limited number of employees, who had been identified as having made a significant contribution or sacrifice during the first lockdown;
c. reviewed the remuneration of the Executive Directors and the Non Executive Chair and determined not to progress any pay or fee increases for 2020, as a result of the COVID-19 pandemic;
d. approved the implementation of salary sacrifice arrangements in response to the first lockdown and then the repayment of the same later in the year;
e. continued to implement and apply LSL's Remuneration Policy;
f. reviewed the Executive Directors' and senior management bonus arrangements for 2019, 2020 and 2021 (including setting financial targets and non-financial objectives, measuring performance against targets and determining remuneration outcomes);
g. reviewed and approved the grant of the 2020 LTIP awards for the Executive Directors and senior management and vesting of the 2017 awards;
h. considered the exercise of discretion in relation to the formulaic outcome of incentive awards;
i. reviewed the Executive Director pension scheme in the context of the *Code*;
j. reviewed the Remuneration Committee's performance and its terms of reference, to ensure compliance with the *Code* and related FRC guidance;
k. evaluated the Committee's composition and performance, as part of the annual Board and Committee evaluation exercise;
l. reviewed employee remuneration matters, including the alignment of incentives and rewards with culture;
m. discussed the remuneration elements of the *Shareholders Rights Directive II*;
n. reviewed the *Directors' Remuneration Policy*, including significant Shareholder consultation, which was presented to the 2020 AGM for Shareholder approval;
o. reviewed the latest guidance from the shareholder proxy advisers; and
p. reported on the Committee's activities within LSL's *Annual Report and Accounts*.

As part of its discussions in 2020 the Remuneration Committee considered as relevant to the matter being considered, FRC guidance and other publications relevant to the roles and responsibilities of the Remuneration Committee, including feedback from shareholder groups and updates from proxy agencies.

Details of any remuneration consultants engaged by the Remuneration Committee during the year are set out in the *Directors' Remuneration Report*.

None of the Remuneration Committee members during 2020 or at the date of this report have any personal financial interest (other than as Shareholders), any conflicts of interest arising from cross directorship, or any day-to-day involvement in running the business.

The Remuneration Committee recognises and manages conflicts of interest when receiving views from the Executive Directors or senior managers about any proposals. No Director is permitted to participate in any discussion about their own remuneration.

The Remuneration Committee may, in exercising its discretion in relation to the remuneration of Executive Directors and senior managers, take into account among other matters, LSL's performance on governance (including regulatory compliance) and ESG related issues. Further, it ensures that the incentive schemes put in place do not raise any ESG issues by inadvertently motivating behaviours that have unintended and detrimental outcomes.

2021 remuneration

In relation to Executive Director remuneration for 2021, see the *Directors' Remuneration Report* included in this Report.

Employee Pay Reporting

Gender pay reporting

LSL published its gender pay reports for all LSL Group companies with more than 250 employees in April 2020 and further reporting will be published in 2021. The 2020 report is available to view at *gender-pay-gap.service.gov.uk* and the 2021 report will be available during the year.

Other pay reporting

LSL is monitoring 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.

Audit & Risk Committee

During 2020, the Audit & Risk Committee was chaired by David Stewart until 1 May 2020 and since then Bill Shannon has been the Chair. Its other members are Darrell Evans and Gaby Appleton.

During the 2020 Board and Committee evaluation process, the Board confirmed that the Audit & Risk Committee as a whole has competence relevant to the sectors in which LSL operates and that it includes at least one member who has recent and relevant financial experience. During 2021 LSL intends to appoint a new Chair of the Audit & Risk Committee.

The Audit & Risk Committee held four meetings in the year. The Committee is supported by the Company Secretary and LSL's Group Internal Audit Director, the external auditor, the Non Executive Chair, the Executive Directors and the Group Financial Controller were invited to attend all or parts of these meetings, to assist the Audit & Risk Committee in its deliberations. The Audit & Risk Committee met with the Group Internal Audit Director and the external auditor, without the Executive Directors being present, twice during 2020.

Further details of the duties and responsibilities of the Audit & Risk Committee are included in the *Audit & Risk Committee Report*, together with details of how it discharged its duties during 2020.

Whistleblowing, fraud and anti-bribery arrangements

Pursuant to LSL's *Matters Reserved for the Board Policy*, the Board oversees LSL's 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 LSL's internal controls and risk management arrangements, including those relating to any incidents of fraud or bribery.

Shareholder relations

LSL places a great deal of importance on communication with its Shareholders and is committed to establishing constructive relationships with investors and potential investors, to assist it in developing an understanding of the views of its Shareholders.

LSL maintains a dialogue with institutional Shareholders through regular meetings with them to discuss strategy, performance and governance matters and to obtain investor feedback. The views of the Shareholders expressed during these meetings are reported to the Board or its Committees, as appropriate. In addition, presentations are arranged from time to time for Shareholders and analysts, including after the publication of the interim and full year results.

During 2020, the Remuneration Committee Chair, supported by the Group HR Director, consulted with significant Shareholders about the Remuneration Policy changes, which were presented to and approved at the 2020 AGM. For further details of this consultation, see the *Directors' Remuneration Report* included in this Report.

The Group Chief Executive Officer and Group Chief Financial Officer also engaged proactively with Shareholders following results and other material announcements and met with Shareholders on request at other times in 2020. Throughout the year, a number of steps were taken to ensure that all Directors understand the views of significant Shareholders, including providing feedback received from the corporate advisers and Executive Directors and the distribution of analysts' reports to the Board.

The *Code* requires chairs of company boards to seek regular engagement with major Shareholders, in order to understand their views on governance and performance against strategy. Each year major Shareholders are offered the opportunity to attend meetings with the Non Executive Directors, including the Chair and the Deputy Chair, all Shareholders as they require. If any Shareholder or Shareholder representative groups would like to discuss any issues or concerns with the Non Executive Directors, they can be contacted through the Company Secretary's office (see the *Shareholder Information section* of this Report for details).

In addition, the director induction arrangements for new Directors seeks to ensure individuals have an understanding of Shareholder views.

The Board considers that the AGM is the main forum for communication with individual Shareholders. All of the Directors will be available at the 2021 AGM to meet with Shareholders. See below for details of the 2020 AGM arrangements, which were put in place in response to the COVID-19 pandemic and for arrangements relating to the 2021 AGM, see the *Report of the Directors* section of this Report.

Details of specific Shareholder consultation exercises undertaken in 2020 are set out below. For further information on Shareholder engagement, see also the *Stakeholder Engagement Arrangements* section of this Report. See also the *Shareholder Information section* at the end of the Report for the details of how Shareholders can contact LSL.

Shareholder consultation exercises in 2020

• *2020 AGM Arrangements:*

Due to the COVID-19 pandemic, LSL's 2020 AGM took place later than originally scheduled. The severe restrictions on public gatherings meant physical attendance at the AGM needed to be limited to two Shareholders selected from the Group's employees, with Directors, other officers, advisers and LSL's auditor attending via a conference call facility. No other Shareholders were permitted to attend in person and those attending the meeting in person complied at all times with the Government's strict social distancing guidance.

One of the Shareholders attending the meeting in person was appointed as Chair of the meeting. LSL strongly encouraged all Shareholders to vote by completing a proxy form and appointing the 'Chair of the Meeting' as their proxy with their voting instructions, rather than appointing another person who was not permitted to attend the meeting in person. Proxies were completed and returned in accordance with the instructions detailed in the Notice of Meeting and the proxy form.

All resolutions considered at the AGM were voted on by way of a poll. All valid proxy votes, whether submitted electronically or in hard copy, were included in the polls taken at the meeting.

LSL was disappointed that it had to adopt these measures and appreciates Shareholders' understanding in these unprecedented circumstances. Further, due to LSL's AGM arrangements being kept under review in light of the COVID-19 pandemic, LSL applied for and received an extension to the timeline for the filing of the Annual Report and Accounts 2019 at Companies House.

Shareholder information

All of LSL's announcements are published on the LSL website (*lslps.co.uk*), together with copies of presentations and financial reports.

Share Dealing Code and Disclosure Committee

LSL has a *Share Dealing Policy* and *Share Dealing Code*, to ensure compliance with market abuse and insider dealing legislation. The *Share Dealing Policy* and *Share Dealing Code* apply to the Directors, other persons discharging managerial responsibilities and relevant employees of LSL.

The Board has also established and delegated responsibilities to a Disclosure Committee, which supports LSL's compliance with the disclosure and control of inside information obligations, as set out in the UKLA's *Listing Rules, Disclosure Guidance and Transparency Rules* and *market abuse legislation*. Notwithstanding the delegation to the Disclosure Committee, the Board remains responsible for LSL's compliance with all regulatory disclosure obligations and the Disclosure Committee refers matters to the Board as it sees fit. The Board will consider any matter referred to it.

Takeover Directive

The Group has addressed the matters required by the *Takeover Directive*, which was implemented in the UK in accordance with statutory provisions in Part 28 of the Companies Act 2006, in the *Report of the Directors*.

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

Sapna B FitzGerald

Company Secretary

27 April 2021

Audit & Risk Committee Report

Dear Shareholder

I am pleased to report on the activities of the Audit & Risk Committee during 2020.

I took over as Chair of the Committee on 1 May 2020, following the previous Chair, David Stewart, becoming Group Chief Executive Officer. The other Committee members are Darrell Evans and Gaby Appleton. I would like to thank everyone who served on the Committee during the year for their support and the active role each member played in understanding the Group and the risks and challenges it faces, particularly during such a difficult period.

In this *Audit & Risk Committee Report*, we have detailed how the Committee has discharged its responsibilities during 2020. This included strengthening the Group's risk-focused governance structures, which led to us identifying additional areas of focus and the implementation of controls during an unprecedented period caused by the COVID-19 pandemic. Our work also included taking steps, on behalf of the Board, to ensure that the Annual Report and Accounts 2020, when taken as a whole, is fair, balanced, and understandable. Further details of the Audit & Risk Committee's activities in 2020 are contained in this Report at pages 83 and 84.

I am appointed as Chair of the Board with effect from 28 April 2021. As a result, I intend to step down from the Audit & Risk Committee during 2021 once we have appointed a new independent Non Executive Director to take over as Chair of this Committee. A further update will be provided to Shareholders during the year.

I will be available at the 2021 AGM, along with my fellow Directors, to answer Shareholders' questions relating to the Audit & Risk Committee and how it discharged its roles and responsibilities during 2020.

Bill Shannon
Chair of the Audit & Risk Committee
27 April 2021

LSL's Audit & Risk Committee Report relating to 2020

During 2020, David Stewart was Chair of the Audit & Risk Committee until 1 May 2020, when he was appointed Group Chief Executive Officer. Bill Shannon was appointed Chair of the Audit & Risk Committee from 1 May 2020. As part of the appointment process, both the Board and the Nominations Committee determined that Bill has the requisite recent and relevant financial experience required by the *Code*. The Committee's other members during the year were Darrell Evans and Gaby Appleton. All members of the Audit & Risk Committee during 2020 were independent Non Executive Directors (as defined by the *Code*).

During the 2020 annual Board and Committees evaluation, the Board confirmed that the Audit & Risk Committee as a whole has competence relevant to the sectors in which LSL operates. In reviewing the composition of the Board and its Committees during the year, the Nominations Committee evaluated the range of skills, experience, knowledge and professional qualifications of the Board and its Committees, including the Audit & Risk Committee, to ensure LSL's continued compliance with the *Code*.

Further details relating to the members of the Audit & Risk Committee are contained in the *Corporate Governance Report* and in *The Board* section of this Report.

The Audit & Risk Committee met four times during the year. The Company Secretary provides support to the Committee and the Chair of the Board, the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Financial Controller and the Group Internal Audit Director were each invited to attend all or parts of these meetings, to assist the Audit & Risk Committee in its deliberations.

The Roles and Responsibilities of the Audit & Risk Committee

The Audit & Risk Committee has been established by the Board and is responsible for discharging governance responsibilities in respect of audit, risk and internal controls. The Committee's main roles and responsibilities, which are set out in its terms of reference, are detailed below.

During 2020, the Audit & Risk Committee continued its programme of work to ensure that all of its roles and responsibilities were covered adequately during the year. In discharging its roles and responsibilities, the Committee considered the requirements of the *Listing Rules* and *Disclosure Guidance and Transparency Rules* (together with any other requirements issued by the FCA), the *Code*, together with guidance issued by the FRC (including the *Guidance on Audit Committees and the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting*), and any requirements of the Board.

The Committee's terms of reference were reviewed and updated with effect from 1 January 2021, to ensure continued compliance with the *Code* and to take into account best practice published by ICSA in January 2020. The Committee's principal roles and responsibilities include:

a. monitoring the integrity of LSL's financial statements and any formal announcements relating to LSL's financial performance, and reviewing significant financial reporting issues and judgements contained in them;

b. providing advice (where requested by the Board) on whether the *Annual Report and Accounts*, taken as a whole, is fair, balanced and understandable, and provides the information necessary for Shareholders to assess LSL's position and performance, business model and strategy;

c. assisting the Directors to support their statements to be included in the *Annual Report and Accounts*, in particular whether other information presented in the *Annual Report and Accounts* is consistent with the financial statements, and reporting the Committee's findings to the Board;

d. reviewing LSL's internal financial controls and internal control and risk management systems;

e. monitoring and reviewing the effectiveness of LSL's Risk and Internal Audit Team;

f. conducting the external auditor tender process and making recommendations to the Board about the appointment, reappointment or removal of the external auditor;

g. reviewing, benchmarking and approving the remuneration and terms of engagement of the external auditor;

h. reviewing and monitoring the external auditor's independence and objectivity;

i. reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;

j. developing and implementing *LSL's Auditor Independence Policy* on engaging the external auditor to supply non-audit services, ensuring there is prior approval of any non-audit services, considering the impact that providing such services may have on auditor independence, taking into account the relevant regulations and ethical guidance, and reporting to the Board on any improvements or action required; and

k. reporting to the Board on how it has discharged its responsibilities.

The Audit & Risk Committee's terms of reference are available from the Company Secretary and on LSL's website *(lslps.co.uk)*.

How the Audit & Risk Committee discharges its roles and responsibilities:

1. Internal controls and risk management

In relation to LSL's internal controls and risk management arrangements, the Audit & Risk Committee:

a. ensures that the Group's accounting and financial policies and controls are proper, effective and adequate;

b. ensures that internal and external auditing processes are properly coordinated and work effectively;

c. monitors the integrity of LSL's financial statements and any formal announcements relating to its financial performance, and reviews significant financial reporting issues and judgements contained in them;

d. considers the level of assurance to provide in relation to the risk management and internal control systems, including financial controls, and whether there is sufficient evidence to enable the Board to satisfy itself that they are operating effectively;

e. advises the Board on setting LSL's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic, political and financial environment and drawing on external sources such as those published by relevant industry and regulatory authorities, including the Bank of England and the FCA;

f. advises the Board and oversees LSL's current risk exposures and its risk strategy;

g. monitors LSL's risk management and internal control systems and, at least annually, carries out a review for LSL to report on in the *Annual Report and Accounts*. The monitoring and review covers all material controls, including financial, operational and compliance controls;

h. reviews and approves the *Group Risk Framework Policy*. This includes a regular assessment and update of the Group's principal risks and uncertainties, underpinned by metrics which articulate the status and tolerance levels for key risks. The framework ensures appropriate focus on threats to Group objectives, with action plans for any areas outside risk appetite. The process is supported by capturing outputs from risk appetite measures maintained at subsidiary level, regular reviews of risk status by the Executive Committee and independent challenge of the results by the Risk and Internal Audit function, prior to reporting overall conclusions for discussion at the Audit & Risk Committee meetings; and

i. reviews the nature and development of outputs from the Executive Risk Management Committee (ERMC).

2. Reporting to the Board

The Audit & Risk Committee reports to the Board on how it has discharged its responsibilities, including:

a. details of the significant issues it considered in relation to the financial statements and how these issues were addressed;

b. its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and

c. reporting on any other issues on which the Board has requested the Committee's opinion. In doing so, the Committee seeks to identify significant matters where action or improvement is needed, whether the subject of a specific Board request or not, and recommends the steps to be taken.

3. External auditor

The Audit & Risk Committee is responsible for overseeing LSL's relationship with the external auditor, which includes:

a. making annual recommendations for the Board to put to Shareholders for their approval in a general meeting, in relation to the appointment, reappointment or removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor at the start of each audit;

b. satisfying itself that the audit fee is appropriate and that an effective, high quality audit can be conducted for that fee;

c. overseeing the procedure for appointing the external auditor, including ensuring that all tendering firms have access to necessary information and individuals during the tendering process;

d. meeting the external auditor before each annual audit, to consider the nature and scope of the audit and post-audit at the reporting stage. This includes ensuring that appropriate plans are in place for the audit and considering whether the overall audit plan (including planned levels of materiality and proposed resources) appears consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;

e. reviewing with the external auditor the findings of its work and its report, including:
   - any major issues that arose during the audit, including a review of resolved and unresolved items;
   - an explanation on how the auditor addressed any risks to audit quality;
   - weighing the evidence regarding areas of significant judgement and reviewing key accounting and audit judgements;
   - seeking the auditor's view on the quality of its interaction with senior management and members of the Group's finance teams; and
   - reviewing levels of errors identified during the audit and obtaining explanations from management and the auditor in relation to the same;

f. annually assessing and reporting to the Board on the effectiveness of the audit process, taking into account qualification, expertise, ethical standards (including compliance with the same), resources, and independence of the external auditor. The assessment also considers mind-set, culture, skills, character, knowledge, quality control and judgements, including the external auditor's robustness and perceptiveness in handling key judgements, responding to questions from the Audit & Risk Committee, and in any commentary on LSL's systems of internal control. The Audit & Risk Committee will also consider all aspects of the audit service, including the firm's internal quality control procedures and its annual transparency reports;

g. in the event of the external auditor's resignation, investigating the issues giving rise to it and considering whether any action is required;

h. evaluating the risks to the quality and effectiveness of the financial reporting process, especially in light of the external auditor's communications with the Committee;

i. reviewing and monitoring the Management Team's responsiveness to the external auditor's findings and recommendations and reviewing the audit representation letters, in particular considering matters where any representation is requested that relates to non-standard issues, and considering whether the information provided is complete and appropriate, based on the Committee's own knowledge;

j. meeting with the Board formally, at least twice a year, to discuss the *Annual Report and Accounts,* the relationship with the external auditor and any other matters included within its duties and responsibilities;

k. developing and implementing LSL's policy on engaging the external auditor to supply non-audit services, taking into account relevant ethical guidance and reporting to the Board in relation to the same, including identifying any matters where action or improvement is required and recommending the steps to be taken;

l. keeping under review the nature and extent of non-audit services provided by the external auditor, taking into account LSL's *Auditor Independence Policy;* and reviewing the policy at least annually for recommendation; and

m. meeting with the external auditors without the presence of the Executive Directors at least once a year.

4. Annual report and accounts

Each year, the Audit & Risk Committee prepares a report to Shareholders for inclusion in LSL's *Annual Report and Accounts*. For details of how the Audit & Risk Committee discharged its obligations in relation to this Report, please see the *Corporate Governance Report* and this *Audit & Risk Committee Report*.

5. Financial reporting

The Audit & Risk Committee reviews and reports to the Board on significant financial reporting issues and judgements made in connection with the preparation of LSL's financial statements (having regard to matters communicated to it by the external auditor) including the annual and interim statements, and summary financial statements and any financial information contained in other documents prior to their submission to the Board, with a particular focus on:

a. significant accounting policies and practices and any changes to them;
b. the appropriateness of LSL's accounting policies, estimates and judgements, taking into account the external auditor's view on the financial statements;
c. the clarity and completeness of disclosures and whether the disclosures are set properly in context;
d. major judgemental areas;
e. any significant adjustments arising from the audit;
f. the appropriateness of adopting the going concern basis of accounting and identification of any material uncertainties about the Group's ability to continue in operation for the next 12 months from the date of the signing of the financial statements;
g. compliance with accounting standards;
h. the extent to which the financial statements are affected by any unusual transactions; and
i. compliance with legal and regulatory requirements (including FCA and London Stock Exchange requirements).

6 Risk and internal audit

The Risk and Internal Audit Team provides objective assurance and advice on risk and control. In relation to this team, the Audit & Risk Committee:

a. reviews and approves its role and mandate, ensuring that the function has unrestricted scope, sufficient resources and access to information to enable it to fulfil its mandate, and to perform in accordance with relevant professional standards;
b. approves the internal audit plan and reviews and approves annually the Risk and Internal Audit Team's terms of reference, to ensure it is appropriate to the Group's needs. The Committee pays particular attention to the areas in which the risk, compliance, finance, internal audit and external audit functions may be aligned or overlapping, and oversees these relationships to ensure they are coordinated, operating effectively and avoiding unnecessary duplication, whilst maintaining the independence of the Risk and Internal Audit function;
c. ensures open communication between the Group's different functions and that Risk and Internal Audit evaluates the effectiveness of LSL's risk, compliance and finance functions as part of the internal audit plan;
d. monitors and reviews the effectiveness of the team and its activities;
e. approves the appointment and termination of the Group's Internal Audit Director, who has unrestricted access to both the Audit & Risk Committee Chair and LSL's Non Executive Chair, and meets privately with the Audit & Risk Committee Chair on a regular basis;
f. reviews the effectiveness of the Risk and Internal Audit Team and confirms to the Board that it is satisfied that the function's quality, experience and expertise is appropriate for the Group. The matters considered in the review are detailed in the Audit & Risk Committee's terms of reference. The Audit & Risk Committee will, if it deems it appropriate, instruct an independent, third party review of the effectiveness of the internal audit function; and
g. receives and considers the findings of the Risk and Internal Audit Team, together with reports on the actions senior management has taken to implement the team's recommendations.

7. Whistleblowing, fraud and anti-bribery arrangements

Whistleblowing and fraud arrangements

With effect from 1 January 2020, and in line with the *Code* and the FRC's *Guidance on Board Effectiveness*, the Board assumed responsibility for overseeing and monitoring whistleblowing arrangements for the Group. Previously this had been delegated to the Audit & Risk Committee. Following the change, the Audit & Risk Committee has continued to provide oversight of fraud and anti-bribery arrangements and, as such, continues to receive whistleblowing reports related to fraud or bribery matters.

In designing the Group's whistleblowing arrangements LSL provides how the Group's workforce can raise concerns in confidence and, if they wish, anonymously. The Board routinely reviews these arrangements and the reports arising from their operation. This also ensures that arrangements are in place for proportionate and independent investigation of such matters and for follow up action.

LSL's whistleblowing arrangements include:

a. Group policy which is subject to regular review by the Board supported by local policies adopted and put in place by the Divisions to reflect local arrangements and any additional regulatory requirement (e.g. FCA);

b. a whistleblowing hotline, email address and postal address to encourage confidential contact;

c. employee training and policy awareness materials;

d. Board reporting; and

e. policy awareness audits completed periodically by the Risk and Internal Audit Team.

Anti-corruption and bribery arrangements

The Group has arrangements to ensure compliance with the Bribery Act 2010, which are based on the results of a bribery risk assessment which is reviewed periodically and seeks to take into account risks identified within each Division. The Group's anti-corruption and bribery arrangements also include a Group policy which is subject to annual review by the Board. The policy is supported by employee training and awareness materials in addition to the policy awareness audits completed periodically by Risk and Internal Audit.

What the Audit & Risk Committee did in 2020

The Audit & Risk Committee met four times in 2020. Amongst other matters, during these meetings the Committee discharged its roles and responsibilities in the following ways:

1. Internal controls and risk management

Group matters

a. Considered the review of material business risks, including reviewing internal control processes used to identify emergent areas and monitor principal risks and uncertainties. An update of the Group's principal risks and uncertainties was presented at each meeting, for review and challenge. During the year, the Audit & Risk Committee supported the Board in its robust assessment of LSL's principal risks and uncertainties and the continued application of the Group's risk appetite terms of reference, framework, and related reporting. This included receiving an update on the creation of the ERMC, further development of subsidiary risk appetite measures and assessing routines to track emergent risks (in particular COVID-19).

b. Evaluated areas for continuing the development of the Group's financial control structures, including reviewing the Group's financial reporting systems and internal control environment, receiving reports on compliance with Group Finance procedural requirements and considering the effectiveness of related controls. The Committee also considered the effectiveness of the Group's finance operations during the COVID-19 pandemic, including the resilience of payment practices, reliability of working capital cash-flow forecasts and the capture of the FRC's published reporting guidance.

c. Reviewed arrangements to develop further the Group's oversight routines in relation to data protection, technology security and cybersecurity related threats. This included first-line attestation against minimum policy requirements, consideration of second-line risk assessments, identifying lessons from external events, an evaluation of the effectiveness of the Data and Information Security Committee, monitoring of emergent risks and third-line audit findings across relevant areas of business technology infrastructure.

d. Considered and reviewed the findings from actions completed by the Risk and Internal Audit Team in relation to a COVID-19 assurance programme focused on significant pandemic-related areas of risk emergent in early 2020, such as technology connectivity, payroll resilience, Coronavirus Job Retention Scheme (furlough) claims, financial modelling and the impact of remote working on sales conduct across the Group.

e. Reviewed the risk management framework in operation at subsidiary level, relevant second-line oversight and the development of proportionate subsidiary risk reporting to the Audit & Risk Committee. This included supporting the further development of functional risk reporting, such as information security and project management metrics.

Financial Services risk and compliance

f. Received reports from the Financial Services Chief Risk Officer in relation to the nature of the Divisional risk management framework, the alignment of compliance and risk across the PRIMIS network and responses to the most prominent recent risk-related themes, as well as arrangements in response to COVID-19.

g. Reviewed the effectiveness of the Financial Services Risk Committee (FSRC) and was consulted on the amalgamation of the Financial Services Management Committee (FSMC) and FSRC into a single Financial Services Oversight Committee, with an independent Chair.

Surveying and Valuations Services risk and compliance

h. Received reports from the Surveying Division Risk and Governance Director, in relation to the principal and emerging risks, including COVID-19 related risks, pertaining to surveying and valuation services. This included responses to a third-line review of the provision of remote valuation practices and controls, consideration of a business resilience benchmarking exercise and oversight of employee health and safety arrangements.

Estate Agency risk and compliance

i. Received reports from the Estate Agency Risk and Governance Director in relation to the second-line risk-based assurance cycle priorities in 2020. This includes the evolution of Divisional governance structures and a presentation of the most significant and emergent risk areas and how they are being managed, as well as arrangements in response to COVID-19.

2. External auditor

a. Reviewed the external auditor's terms of engagement and considered the quality, effectiveness, objectivity and independence of the external auditor and the external audit. The results of this review were taken into account in recommending the reappointment of Ernst & Young as external auditor at the 2021 AGM.

b. In assessing effectiveness, the Audit & Risk Committee reviewed the external audit findings and the Management Team's responses to these findings. Discussions were also held with the Risk and Internal Audit Team and the Management Team, with regard to the effectiveness of the external audit process.

c. Reviewed, discussed and approved the external auditor's 2020 full year audit scope, plan and fee. For further information on fees, see *Auditor fees* below.

3. Financial reporting (including Annual Report and Accounts 2019)

a. Reviewed the annual financial results and the preliminary results announcement for 2019, which were released in March 2020, and the interim results for 2020, which were released in August 2020, including evaluating the going concern and viability statements.

b. Received and considered, as part of reviewing the annual financial statements and interim results, reports from the external auditor in respect of its review of the annual financial statements and interim results, the audit plan for the year and the results of the annual audit. The external audit reports included the scope of the interim review and annual audit, the external auditor's approach to addressing and concluding upon key estimates and other key audit areas, the basis on which the auditor assesses materiality, the external auditor's terms of engagement and an ongoing assessment of the impact of future accounting developments on the Group.

c. Oversaw the continued development of the Group's viability statement, taking into account the Group's three year plan, the principal risks and uncertainties and the factors which had contributed to corporate failures in 2019 in the review.

d. Reviewed the classification of exceptional items.

4. Risk and Internal Audit

a. Considered the effectiveness, resourcing and independence of the internal audit arrangements (including the Risk and Internal Audit Team) and agreed the Risk and Internal Audit Team's annual plan. Consideration included compliance with both internal standards and external regulatory requirements, plus the ability to engage with external consultants on specialist areas as appropriate. This exercise included a review of audit cycles, linkages to the Group's principal risks and uncertainties and the results of a benchmarking exercise against best practice professional guidelines.

b. Received and considered regular reports from the Risk and Internal Audit Team with regard to the Group's control environment.

5. Governance (including tax strategy)

a. Reviewed the Audit & Risk Committee's composition and confirmed that, as a whole, it has the competence relevant to LSL's sectors and that at least one member of the Audit & Risk Committee has recent and relevant financial experience, to ensure that it can fulfil its responsibilities effectively. During the year David Stewart (as an independent Non Executive) and Bill Shannon were identified as having recent and relevant financial experience.

b. Reviewed the Committee's terms of reference and the Group's Auditor Independence Policy, to ensure compliance with the *Code* and the FRC's Guidance on Board Effectiveness and Guidance for Audit Committees.

c. Carried out an annual review of the Committee's performance.

d. Reviewed and approved the Group's tax strategy, for recommendation to the Board for adoption.

e. As part of assessing the Group's internal control arrangements, it undertook an annual review of the Group's committee structure, including its Executive Committees.

f. Received corporate governance reports, with a particular focus on corporate reporting developments.

Annual Report and Accounts 2020

The Audit & Risk Committee has considered this Report, including the Financial Statements, in the context of fairness, balance and understandability. This included a review of LSL's fair value assessment of its equity assets, which is detailed in the significant issues in financial reporting 2020 summary below.

The Audit & Risk Committee also ensured that this Report provides an explanation of the basis on which LSL generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of LSL.

Following its evaluation, the Audit & Risk Committee has reported to the Board that the Annual Report and Accounts 2020 when taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess LSL's position and the Group's performance, business model and strategy.

The Committee's assessment of this Report was on the basis that:

a. the description of the business is consistent with the Audit & Risk Committee's own understanding;
b. the risks reflect the issues that concerned the Committee;
c. appropriate weight has been given to both good and bad news;
d. the discussion of performance properly reflects the story of the year; and
e. that there is a clear and well-articulated link between all areas of disclosure.

The review also included the Group's *Environmental, Social and Governance Statement* (which includes the environmental disclosures).

Significant matters considered in relation to the Financial Statements

During the year, the Audit & Risk Committee, the Management Team and the Group Internal Audit Director, together with the external auditor, considered and agreed on the significant risks and issues in relation to the Financial Statements, and how these should be addressed. This included considering issues which related to or arose due to the COVID-19 pandemic. In particular, the Committee took into account the impact of COVID-19 in considering the significant risks and issues relating to the Financial Statements. This included:

- going concern and viability;
- impairment of goodwill and tangibles;
- expected credit losses in relation to the provisions for financial assets;
- Government assistance and how it is accounted for; and
- disclosure requirements relating to alternative performance measures (APMs).

Areas of particular focus for the Audit & Risk Committee during the year are outlined in the table below:

Significant issues in financial reporting for 2020	Description of the issue	How the Audit & Risk Committee addressed the issues in 2020
Inappropriate valuation of Professional Indemnity (PI) provision	The PI provision contains significant management judgement and estimation uncertainty in relation to the incidence of claims, the propensity for each claim to result in financial loss and the loss per claim. There is a risk that the provision for these claims is significantly different as a result of variations from key assumptions, in particular the incidence of claims, the propensity for claims to result in financial loss and the resultant loss per claim. In addition, Management judgement is applied in categorising exceptional versus non-exceptional costs, which could impact trading results. During 2020, the Management Team continued its detailed reviews of all notifications and claims relating to the period, in addition to any developments arising from cases received in previous years. The review also included specialist external legal counsel assessing claims and notifications on a selective case-by-case basis.	Given the materiality of the PI Costs provision, the Board receives a PI Costs provision summary at each meeting, including updates on the status of existing claims and the number and nature of any new claims. In addition, the Audit & Risk Committee reviewed the accounting policies relating to the PI Costs provisions, to ensure they were consistent, fair and reasonable. The Audit & Risk Committee also received reports from the Risk and Internal Audit Team, following the completion of a review of PI Costs provisioning.

Significant issues in financial reporting for 2020	Description of the issue	How the Audit & Risk Committee addressed the issues in 2020
Inappropriate recognition of revenue (including lapse provisions)	There is a risk that revenue is recognised in the wrong period, either due to cut-off errors or Management bias. There is also estimation uncertainty in measuring lapse provisions in the Group's Financial Services businesses, which are recognised as a reduction in revenue. In general, revenue recognition in the Group is not complex. Revenue is recognised when control of a good or service transfers to the customer. This may occur at a discrete point in time (e.g. Financial Services, Residential Sales exchange, Surveying and Valuation services) or over time (e.g. management services). Certain Financial Services businesses distribute pure protection products, which are cancellable without a notice period, and if cancelled within a set period will result in a portion of the commission initially received being repaid. The proportion of such repayments is estimated in a lapse provision, which is recognised as a reduction in revenue and includes estimation uncertainty.	The Audit & Risk Committee reviewed Management's estimates of the lapse provisions and considered the findings of financial audits completed by LSL's Risk and Internal Audit Team, as part of its assurance plan. These audits included a review of the revenue cycle, with findings reported to the Audit & Risk Committee. The Group Finance function also conducted balance sheet reviews, which included carrying amounts driven by the revenue cycle.
Acquisition accounting (including identification of intangible assets acquired in business combinations and recognition of deferred and contingent consideration)	This risk reflects the potential for error in key judgements, such as the date of exit, and estimation uncertainty inherent in forecast cash-flows. There is a potential for error when measuring the value of contingent consideration, as a result of the subjectivity in these key judgements. The Group has made a number of acquisitions, the consideration for which sometimes includes earn-out arrangements, in which some of the consideration depends on performance after the acquisition. The estimate of payments that are likely to become due is reflected in deferred and contingent consideration provisions. There is a risk that the valuation of contingent consideration liabilities is not in accordance with accounting standards. These balances are calculated with reference to specific Management judgements. These include expected exit date and estimations of future cash-flows, which have a degree of estimation uncertainty.	The Audit & Risk Committee has reviewed the treatment of earn-out and other contingent consideration, to ensure that Management's estimates are reasonable and based on the best available information.
Impairment or inappropriate valuation of goodwill and intangible assets	There is significant judgement and estimation uncertainty in the annual goodwill impairment test. This is present in the cash-flows and forecasts used in the calculation and the discount rate applied in valuing goodwill. The risk has been allocated to certain Estate Agency cash generating units, which have had their positive but limited headroom put under further pressure as a result of the impact of the COVID-19 pandemic. The Management Team reviews goodwill annually, to determine whether impairment is required. These reviews include assessing the net assets and the current and future profitability of the assets giving rise to the goodwill. The test also applies a discount factor to projected future cash-flows.	The Audit & Risk Committee reviewed Management's calculations and assumptions in detail, taking into account advice provided by the external auditor. Following this review, the Committee concluded that no impairment was necessary to the goodwill or intangible assets as at 31 December 2020.
Impairment or inappropriate valuation of financial assets	There is significant judgement and estimation uncertainty in the fair value and impairment assessments of the Group's shareholdings in joint ventures associates and equity instruments. The Management Team performs impairment assessments when it identifies indicators of impairment for financial assets.	During February 2021, Mortgage Gym entered into administration. LSL has consequently written down its investment to £nil as at 31 December 2020, which the Committee considered appropriate. Further information is provided in the Notes to the Group Financial Statements.

Other Financial Statements matters considered by the Audit & Risk Committee	Description of the issue	How the Audit & Risk Committee addressed the issues in 2020
Client monies with regards to the Lettings businesses	The Group holds cash on behalf of clients in its Lettings businesses. Neither the client monies, nor the matching liabilities, are included in the Group balance sheet, as the Group is not entitled to benefit from using the amounts held in these accounts. The Group has a responsibility to ensure that the money held in the client accounts is segregated and would be liable for any shortfall. There is a risk of misappropriation of these assets and subsequent expense to LSL. Group Finance oversees the integrity of client account operations, undertaking regular reconciliations.	The Risk and Internal Audit Team performs regular client account audits and reports the findings to the Audit & Risk Committee.
Financial assets	The Group holds minority shareholdings measured at fair value on the balance sheet. The judgemental input in the fair value calculations leads to a risk that assets are inappropriately valued.	The Group holds minority shareholdings in VEM, NBC Property Master, Global Property Ventures and Yopa. The Audit & Risk Committee has considered the fair value of each of these holdings for inclusion in the Group's balance sheet.
Treatment of exceptional items	The Group has historically categorised a number of items in the Income Statement as exceptional, to enable users of the accounts to understand the Group's underlying performance. This means these items are excluded from Key Performance Indicators (KPIs) such as underlying operating profit. Exceptional items are an area of focus for the FRC, which considered them in its thematic review of alternative performance measures published in November 2017 and subsequent guidance issued in May 2020, in relation to items of income and expenditure arising from the impact of the COVID-19 pandemic.	The Audit & Risk Committee has, in line with FRC guidance, continued to review the Group's policy for classifying items as exceptional. The Committee ensured that the Management Team's assessment of the exceptional costs and gains reported in the Financial Statements was in line with Group policy, which requires that they are material in both size and nature and are non-recurring. In the 2020 Financial Statements, the costs relating to the planned Surveying transformation and Estate Agency branch/centre closures, the aborted deal fees relating to the proposed merger with Countrywide plc, the write down of carrying value of an investment in an associate and other costs have been disclosed as exceptional. After careful consideration and taking into account the feedback from the external auditor, the Audit & Risk Committee agreed that these items were material and non-recurring in nature and that it was appropriate to categorise them as exceptional within the 2020 Financial Statements.
Misstatement due to fraud and error	Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements, by overriding controls that would otherwise appear to be operating effectively. Although the risk of management override will vary from entity to entity, it is nevertheless present. The consolidation process involves manual top-side journal entries being posted in the consolidation for a variety of purposes. These manual top-side journal entries could be incorrect due to error or as a result of Management bias.	The Management Team has primary responsibility to prevent and detect fraud and has endeavoured to put in place a culture that requires ethical behaviour of staff, together with a control environment to both deter and prevent fraud. There are established whistleblowing arrangements to enable staff to confidentially raise concerns. The Audit & Risk Committee received reports on the Group's fraud prevention and whistleblowing arrangements, including details of any instances of actual or suspected fraud.

Other Financial Statements matters considered by the Audit & Risk Committee	Description of the issue	How the Audit & Risk Committee addressed the issues in 2020
Going concern	Group performance is intrinsically linked to the overall performance of the UK housing market, including submarkets such as prime Central London. The housing market is affected by changes in national and global political and economic environments, such as Brexit. It is also influenced by domestic or international incidents (including force majeure events) such as COVID-19, which can have a significant effect on the housing market. The impact of this risk can be direct (such as changes in Government policy or legislation arising from a change in Government) or indirect (such as changes in consumer behaviour or sentiment arising from changes in Government policy or legislation, or from external factors such as the COVID-19 pandemic).	The Management Team prepared detailed papers for the Committee to consider, on the Group's ability to continue as a going concern. These papers reviewed the likely future profitability of the Group and included a forecast of future cash-flows, the impact of banking covenants, the liquidity of investments, the performance of joint ventures and the Group's ability to refinance debt when necessary. Following its renewal in February 2021, the Group's revolving credit facility is due to mature in May 2024. The key judgements, assumptions and estimates underpinning this review were considered, alongside input from the external auditor. Following the review, the Audit & Risk Committee concluded that adopting the going concern principle was justified for the foreseeable future. The Audit & Risk Committee also oversaw the process by which the Directors reviewed and discussed the assessment undertaken by the Management Team in proposing the viability statement.
Classification and disclosure of APMs	The Group has a number of KPIs which are classed as APMs. Given their judgemental nature, they require focus from the audit team to ensure they are appropriately presented. There is increased scrutiny from the FRC, stakeholders and the wider public of companies' narrative reporting. This includes specific focus on APMs, to ensure the narrative reporting is a fair, balanced and understandable representation of performance.	LSL reports a number of APMs that are designed to assist with understanding the Group's underlying performance. The Audit & Risk Committee has, in line with FRC guidance, continued to review the Group's policy for classifying and disclosing its APMs. In 2020, the Committee ensured that the Management Team's assessment of the APMs reported in the Financial Statements was in line with Group policy, which requires that they give a better and more consistent indication of the Group's underlying performance as detailed in Note 5 to the Group Financial Statements. These measures form part of Management's internal financial review and are contained in the monthly management information reports reviewed by the Board.

Auditor appointment

Taking into consideration the audit effectiveness review described in the *External Auditor* section above, the Audit & Risk Committee, on behalf of the Board, has concluded that Ernst & Young is effective, independent and objective. Based on this conclusion, the Board has resolved to recommend to Shareholders the reappointment of Ernst & Young as external auditor at the 2021 AGM and to seek authority for the Directors to agree the external auditor's remuneration.

Ernst & Youngs' tenure as external auditor commenced in 2004 when LSL acquired Your Move and e.surv from Aviva. A tendering exercise was last completed in 2016 and resulted in the reappointment of Ernst & Young. Their term cannot exceed 20 years, therefore LSL will conduct a tendering exercise and appoint a new external auditor prior to the end of 2024.

Auditor Independence Policy

To guard against the external auditor's objectivity and independence being compromised, the Audit & Risk Committee is responsible for approving non-audit services.

The LSL *Auditor Independence Policy* stipulates the restrictions and procedures governing the potential allocation of non-audit work to the auditor. It takes into account relevant ethical guidance regarding the provision of non-audit services by external audit firms, and was reviewed during 2020 to ensure compliance with the *2018 Code* and the Revised Ethical Guidance for Auditors published at the end of 2019. A copy of the *Auditor Independence Policy* is available from the Company Secretary and on LSL's website *(lslps.co.uk)*.

The Audit & Risk Committee is kept regularly informed of the fees paid to the auditor in all capacities. The *Auditor Independence Policy*, which was in place during 2020, provides that any non-audit related services provided by the external auditor must be approved by the Audit & Risk Committee or be within a pre-approved category and fee limit. The following categories of fee required pre-approval from the Audit & Risk Committee:

a. any fee for specific non-audit services which exceeds £25,000; and

b. any fee which has a contingent element.

In addition, the policy provided that the total annual fees for non-audit work allocated to the external auditor shall not exceed 70% of the average audit fee paid during the preceding three consecutive years.

Auditor fees

The split between audit and non-audit fees for 2020 appears in Note 10 to the *Group Financial Statements*. Non-audit fees of £9,000 (2019: £9,000) were incurred in the year. Audit fees of £552,000 (2019: £455,000) were incurred in the year. This is in line with the provisions of the *Auditor Independence Policy*. The non-audit fees related to other assurance services.

The 2020 audit fee was reviewed and increased during the period. The fee increase is consistent with fee increases seen across the audit market, which are the result of audit firms reviewing their fee arrangements as a consequence of the FRC's review of the level of work auditors need to do and the focus on quality.

Internal controls

The Board has overall responsibility for LSL's system of internal controls and for its effectiveness. The system of internal controls is subject to ongoing evaluation and is regularly reviewed by the Board and the Audit & Risk Committee. It was developed to ensure compliance with the September 2014 FRC *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting* and has been reviewed more recently to ensure compliance with the *Code* and FRC *Guidance on Board Effectiveness*. This included establishing a *Group Risk Framework Policy*, backed with clear operating procedures, distinct lines of responsibility and delegated authority levels. During 2017, the framework was extended to the main subsidiary businesses, each of which now maintains its own risk measures. The development of this continues to be a focus for the Group, as its systems increase in maturity.

The control framework facilitates the effectiveness and efficiency of LSL's operations, helps to ensure the reliability of internal and external reporting and assists in ensuring compliance with laws and regulations. The internal control system is designed to safeguard both Shareholder investment and LSL's assets. In common with any risk management framework, the system aims to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The arrangements in place for 2020 aimed to identify, evaluate and manage the significant risks LSL faced. It included assessments by the Board and the Executive Committee of risk appetite and measures to define levels of risk being carried in relation to this appetite. Additional work was undertaken to improve engagement and risk-related debate across senior management teams, and this has proven valuable for supporting key business decisions throughout the financial year. For any areas considered outside tolerance, remedial steps are identified to reduce the risk being carried. Alignment between Divisional and Group activities is being improved through the newly created ERMC, which comprises the Group Chief Executive Officer, Group Chief Financial Officer, General Counsel and Company Secretary, Group Internal Audit Director, Group Financial Controller and the Divisional Chief Risk Officers.

Further details of LSL's risk management arrangements are contained in the *Principal Risks and Uncertainties* section of this Report.

LSL's risk management and internal control framework provides for:

a. ownership of the risk management and internal control framework by the Board, supported by the Group Chief Financial Officer, the Company Secretary, the Group Internal Audit Director and the Group Financial Controller;

b. a network of risk owners in each of LSL's businesses, with specific responsibilities relating to risk management and internal controls, including maintenance of detailed risk analyses;

c. documentation and monitoring of risks being recorded through risk appetite measures prepared in accordance with defined Group criteria. This is subject to regular review by subsidiary boards, divisional governance committees and the Group Internal Audit Director;

d. regular consideration by the Executive Committee, ERMC, Board and Audit & Risk Committee of the Group's principal risks and uncertainties. This is embedded in decision making and in the routine planning and reporting cycle, to ensure that such risks are identified, monitored and mitigated in a timely and effective manner, and is reinforced by carrying out more specific risk assessments;

e. the development and application of LSL's risk management framework; and

f. reporting by the Chair of the Audit & Risk Committee to the Board on any matters which have arisen from the Committee's review of the way in which LSL's risk management and internal control framework has been applied, together with any identified failings in, or exceptions to, these procedures.

LSL has a well-established Group-wide risk management framework, which will evolve further in 2021 in line with best practice and with a particular focus on the further development and alignment of standards via the ERMC.

The risk management framework includes:

a. the risk management framework policy;

b. determination of risk appetite and the management or mitigation of risks in line with risk appetite tolerances, at both Group and subsidiary levels;

c. assessment of prospects and viability;

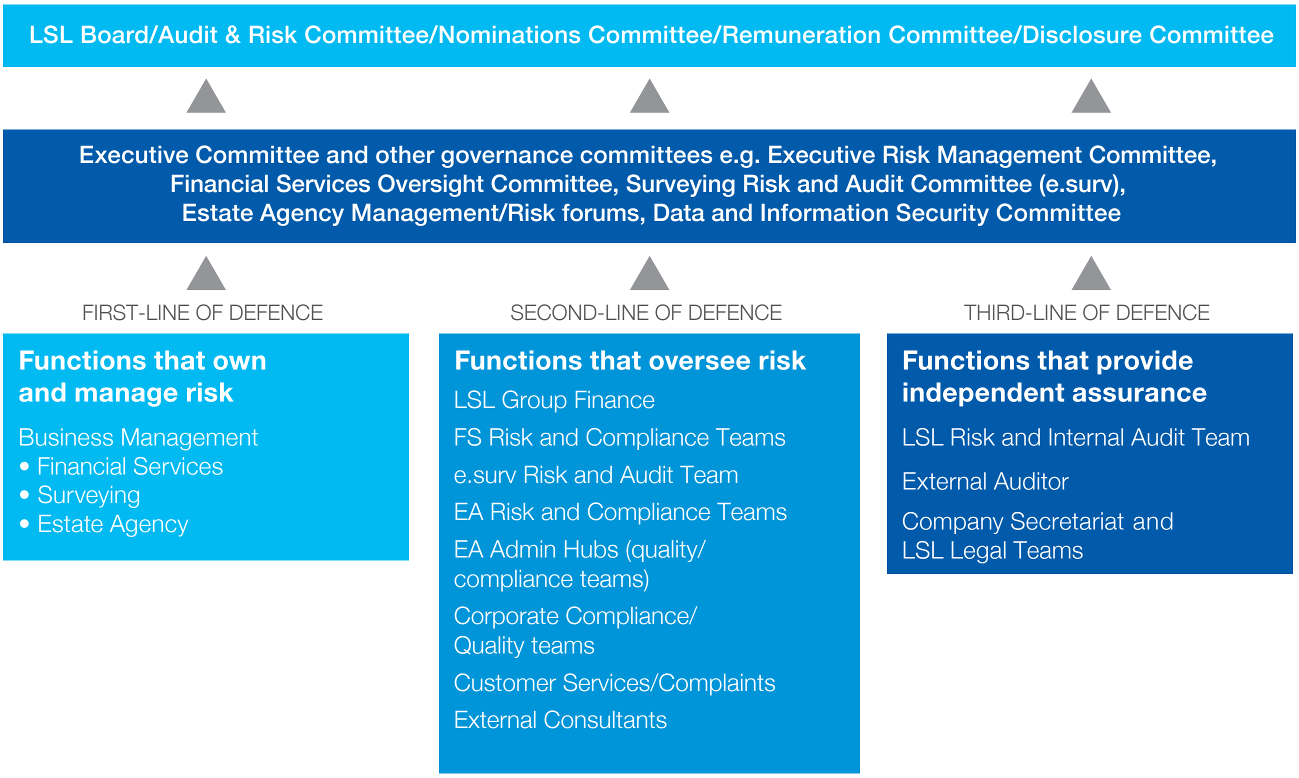
d. review of the effectiveness of the risk management and internal control systems; and

e. going concern confirmation (for LSL's going concern disclosure please refer to the *Report of the Directors* in this Report).

Further details of LSL's assessment and evaluation of principal risks and uncertainties together with details of key mitigation initiatives are set out in the *Principal Risks and Uncertainties* section of this Report.

The Group has internal control and risk management systems in relation to LSL's financial reporting procedures and the process for preparing consolidated accounts. These systems include policies and procedures to facilitate the maintenance of records that accurately and fairly reflect transactions, provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS or UK *Generally Accepted Accounting Principles*, as appropriate, and that assurance processes are in place to ensure that reported data is subject to review and reconciliation to underlying records.

LSL operates a 'three lines of defence' structure (see diagram below) to facilitate effective oversight of Group operations. Further features of the risk management framework include delegated authority levels and functional reporting lines and accountability. LSL operates a budgeting and financial reporting system that, on a monthly basis, compares actual performance to forecasts, budget and the previous year. In addition, the Executive Directors receive more regular information that reviews key areas of performance, such as daily sales activity. All capital expenditure and other purchases are subject to appropriate authorisation procedures, with centralisation of several payment functions.



Three-lines of defence diagram

In addition, LSL has established a number of executive committees charged with managing performance and risk. These include the Financial Services Oversight Committee (FSOC) which was established in 2020 and replaced the Financial Services Management Committee (FSMC) and the Financial Services Risk Committees (FSRC). The FSOC is an oversight and governance committee established by the LSL Board, to link the LSL Board and the Financial Services Division, including ensuring that all key risks are captured, managed and reported.

Other governance bodies were in place during 2020 for the Group's information security arrangements (Data and Information Security Committee (DISC)) and other business operations, for example, the Estate Agency Management Committee, the Estate Agency Risk Committee and the Surveying Valuation Controls Board.

The Audit & Risk Committee and/or the Board receives regular reports from the DISC and FSOC, along with updates from the Group Chief Executive Officer and the Executive Committees, including ERMC. The Audit & Risk Committee also reviews the risk and compliance arrangements within each of the three Divisions at each of its meetings. The Estate Agency Risk and Governance Director, the Financial Services Chief Risk Officer or the Surveying Risk and Governance Director are invited to attend and present at these sessions as appropriate.

During 2020, the Executive Committee regularly identified, evaluated and managed the principal risks and uncertainties which could adversely affect LSL's business, operating results and financial condition. The effectiveness of the internal control system and risk management process is also kept under review by the Audit & Risk Committee and has been reviewed by the Board during 2020 as part of an annual review.

In addition, LSL's Risk and Internal Audit Team regularly submits reports to the Audit & Risk Committee and this, together with the internal controls system and risk management process in place within LSL, allows the Board to monitor financial and operational performance and compliance with controls on a continuing basis and to identify and respond to business risks as they arise.

During the year, the Audit & Risk Committee influenced improvements to the control environment, in particular:

- steps to ensure that key second-line personnel (including the Chief Risk Officers/Directors of all core Divisions) regularly present and report to the Committee;
- initiation and delivery of a third-line assurance plan focused on the most prominent COVID-19 related risks by the Group Risk and Internal Audit Team;
- presentation by the Group IT Director of a review of Group data protection and information security arrangements, including the effectiveness of DISC;
- creation of the ERMC;
- emphasis on process improvements to foster heightened debate and feedback on risk management practices within Divisional management teams;
- consolidation of the FSRC and FSMC into the FSOC;
- strengthening of expertise and skills in relation to financial services regulation within the Risk and Internal Audit Team;
- assessments of lessons from external corporate failures; and
- assessments of the resourcing and skills of the Risk and Internal Audit Team.

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

Bill Shannon
Chair of the Audit & Risk Committee
27 April 2021

Directors’ Remuneration Report

Annual Statement

Dear Shareholder

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

- **The Annual Statement:** summarising remuneration for and explaining major decisions made during 2020, as well as explaining the operation of the Policy for 2021;
- **The Directors’ Remuneration Policy *(the Policy)*:** setting out *the Policy* as approved by Shareholders at the 2020 AGM; and
- **The Annual Report on Remuneration:** setting out details of the remuneration earned by the Directors in the year ended 31 December 2020 and how the Policy will be implemented during 2021.

The Policy was approved by 97.1% of Shareholders voting at the 2020 AGM. The Remuneration Committee considers that *the Policy* continues to support the Group’s strategy and therefore no changes are proposed for 2021. *The Policy* is subject to triennial approval and will therefore be submitted for Shareholder approval at the 2023 AGM.

The *Annual Statement and Annual Report on Remuneration* are subject to an annual Shareholder advisory vote and will be presented to Shareholders at the forthcoming 2021 AGM.

Summary of LSL’s performance in the year and decisions taken in response to COVID-19

2020 has been an exceptional year dominated by the unprecedented impact of COVID-19. Since the start of the COVID-19 outbreak, the Group has focused on the welfare of employees and customers, ensuring we provide regular communication and support to employees and working closely with our business partners, to meet their needs in the rapidly changing environment. As part of LSL’s response to the pandemic, we undertook a number of cost-saving measures to help preserve cash and respond to the uncertain market conditions. This included deferring all non-critical capital expenditure and halting discretionary spending. In addition, given the uncertainty of the situation and to protect the Group’s cash position, the Board took the decision to withdraw the payment of the final dividend for FY19 and not to pay dividends for FY20.

The measures also included suspending the annual pay review for all Directors and Group employees. Thus, the annual increases in basic salaries and fees for the LSL Board, which were detailed in the 2019 Directors’ Remuneration Report were not applied. Furthermore, all LSL’s Executive and Non Executive Directors agreed to a voluntary reduction of 33.3% in basic salary and fees from 1 April 2020 until 31 July 2020. A number of senior managers also agreed to temporary reductions in their basic salaries. Within the wider workforce, 73% of staff were placed on furlough, with the Group utilising the Government’s Coronavirus Job Retention Scheme.

As detailed in the summary on business performance, LSL traded well in the second half of 2020 as lockdown restrictions eased, and we brought back the vast majority of staff from furlough. Additionally, the Remuneration Committee and Board deemed it appropriate to reinstate senior management to full basic pay from 1 July 2020 and agreed to repay these voluntary basic pay reductions later in the year, when trading conditions and LSL’s financial performance continued to improve.

The Remuneration Committee has considered carefully the treatment of LSL’s Executive Directors, in line with the policies applied to the wider workforce and in light of LSL’s financial performance in 2020, and has decided it is appropriate to repay the Executive Directors and LSL’s Chairman the voluntary salary/fee reductions that were applied in 2020. A sub-committee of the Board, comprising LSL’s Executive Directors and Chairman, have also agreed to repay fees for LSL’s Independent Non Executive Directors on the same basis. In line with the Executive Directors, Ian Crabb, LSL’s former Group Chief Executive Officer, was also repaid his salary reduction. These repayments were made in January 2021.

Share plan grants

As detailed in the 2019 Directors’ Remuneration Report, LSL decided to delay the grant of any LTIP awards in 2020, initially because of a possible all-share combination with Countrywide plc. On 16 March 2020, LSL announced that it was not proceeding with the offer. However, as a result of the uncertain trading conditions that existed in March 2020 due to the COVID-19 pandemic, the Remuneration Committee decided not to proceed with the normal annual LTIP grant to Executives or the annual Sharesave launch.

With lockdown restrictions easing and trading conditions improving during the second half of the year, the Committee proceeded with the LTIP grant to Executive Directors in November 2020. However, the Committee chose to scale back the LTIP grant from 125% of salary to 104% of salary, to reflect the relative fall in LSL’s Share price during 2020. The Remuneration Committee also considered carefully the appropriate performance metrics to apply to the awards, and as a result of the difficultly in forecasting the medium to long term trading conditions, chose to adjust the weighting of the performance metrics to be 50% based on EPS and 50% on relative TSR. Whilst the performance metrics are different to the 70% EPS and 30% TSR applied to previous awards, they remain in line with *the Policy*.

The TSR metrics for the 2020 LTIP grant are determined by LSL's performance against the FTSE Small Cap index. Threshold level of vesting for this element is only payable for median performance over the three year performance period. Maximum vesting of this element is only payable for performance at upper quartile or above. The Committee has also considered carefully the appropriate EPS range for the 2020 LTIP award and set a threshold to maximum range of 25.6 pence to 35.1 pence for Adjusted Basic EPS. In setting this range, the Committee considered the Group's internal forecasts under a range of scenarios, the forecast conditions in the housing market and the external market consensus for LSL's earnings in the coming years. The relatively wide range reflects the uncertainty that exists in making forecasts at this time. However, the Committee believes the threshold level of vesting provides the Executives with a realistic target that would trigger a relatively small level of vesting, whilst the upper end of this range would require significant outperformance. The Committee can adjust the award outcomes if vesting levels do not reflect the Company's underlying financial performance, and can also reconsider the EPS range if the housing market performs significantly better than assumed when setting this range. The awards granted to the Executive Directors are subject to a two year post-vesting holding period, which would also apply post-cessation of employment.

As LSL emerged from the first UK-wide national lockdown in the summer of 2020 and the vast majority of employees returned from furlough, the Remuneration Committee, in conjunction with the Executive Committee, believed it was appropriate to make its first all employee 'free share award', to thank and recognise the efforts of all employees since the pandemic began. In October 2020, LSL therefore granted a £500 free share award under its SIP plan to all full time employees and a pro-rated awarded for all part time employees.

Appointment of new Group Chief Executive Officer

As announced earlier this year, Ian Crabb, LSL's former Group Chief Executive Officer, stepped down from the Board on 30 April 2020 and David Stewart was appointed as the new Group Chief Executive Officer from 1 May 2020. David has been on the Board as an independent Non-Executive Director since 2015 and ceased his responsibilities as a Non Executive Director upon being appointed as Group Chief Executive Officer.

The Remuneration arrangements for David Stewart are detailed in full in the *Annual Report on Remuneration* section of this Report. David's basic salary, benefits, bonus and LTIP opportunity are in line with his predecessor, Ian Crabb. This is a salary of £449,000, a maximum bonus opportunity of 100% of salary and a normal LTIP opportunity of 125% of salary. However, in line with our policy, David's pension contribution is 3% of salary, which is aligned to the pension contribution for LSL's wider workforce.

Ian Crabb remained an employee of LSL until 30 January 2021, as a result of his nine month notice period. In line with our policy, Ian continued to receive his basic salary, car allowance and pension contributions during 2020. He was not entitled to receive a bonus payment for 2020 and his 2018 and 2019 LTIP awards lapsed on cessation of his employment. Ian was entitled to exercise options in relation to 49,228 Shares which had vested under the 2013 LTIP award and he chose to exercise these prior to leaving employment in January 2021.

Incentive outcomes for 2020

The bonus scheme in 2020 was based 80% on Group Underlying Operating Profit and 20% on individually agreed non-financial measures. Whilst LSL has achieved profits that would normally correspond with bonus payments being made, the Remuneration Committee has decided that, taking into account wider stakeholder considerations and investor expectations, including the use of Government support and the decisions to suspend the full year dividend for the year ended 31 December 2019 and all dividends for the year ended 31 December 2020, no bonuses will be paid to the Executive Directors for 2020. The details of performance against targets and the objectives for the 2020 bonus are set out on page 108.

The performance period for the 2018 LTIP ended on 31 December 2020. As a result of the Group's performance over the award's three year period, the awards will partially vest in March 2021. The challenging EPS performance targets were not met, whilst the TSR targets were partially achieved, resulting in vesting of 9% of the maximum award.

In relation to incentives for 2020, the Remuneration Committee confirms it did not adjust any performance targets as a result of the impact of COVID-19. The Committee reviewed the outturn for the LTIP award and was comfortable that the low level of vesting was appropriate and that discretion was not required to adjust the LTIP's formulaic outcome. The Committee also concluded that the decision to not pay the annual bonus was appropriate. In addition, the Remuneration Committee considered whether there were any relevant environmental social and governance matters that it needed to take account of when reviewing the remuneration outcomes and concluded that there were none.

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

Implementation of Policy for 2021

The Executive Directors will receive salary increases of circa 1.5%, in line with the average salary increases awarded to non-commission earning Group employees. The Non Executive Directors will also receive fee increases of circa 1.5%.

The annual bonus will be subject to the same performance conditions as in prior years, namely Underlying Operating Profit and non-financial measures. However, having reviewed the strategic priorities for 2021, the Committee has increased the weighting of the non-financial measures from 20% to 30% of the maximum bonus. This emphasises the importance of key strategic objectives as a driver of further profitability and growth.

In relation to the LTIP awards for 2021, the Committee’s current intention is to return to the normal award level of 125% of salary, in light of the current share price performance. The Committee will, however, take a final decision at the time awards are granted, taking into account the share price at the time of grant. The 2021 LTIP awards will be based 50% on EPS and 50% on TSR, in line with the 2020 grants. TSR performance will be measured relative to the FTSE SmallCap Index, whilst the EPS targets will be set nearer to the time of grant and will be disclosed in the RNS on grant of the award and in the 2021 Directors’ Remuneration Report. The Committee will ensure the targets set are as stretching as those in previous years, taking into account the business and market outlook at that time.

Corporate Governance and Reporting Regulations

As detailed in last year’s Annual Report, the Remuneration Committee adopted the 2018 UK Corporate Governance Code requirements into the *new Policy* that was approved by Shareholders at the 2020 AGM.

The Remuneration Committee continues to review and monitor the guidance from a variety of investor representative groups and has been particularly mindful of these in determining the appropriate remuneration response in light of the COVID-19 pandemic. In particular, the Committee was mindful of the guidance released by The Investment Association and Institutional Shareholder Services, in making its decisions not to award any annual bonuses to the Executive Directors in 2020, to delay and scale back the LTIP grant and to only repay the voluntary reductions in salaries and fees taken by the Board after the wider workforce had been repaid.

Conclusion

The Remuneration Committee believes that LSL’s remuneration arrangements for the Executive Directors and Senior Management are aligned to LSL’s strategic goals and incorporate the Group’s key performance indicators. Further, the Committee is comfortable that the remuneration outcomes for 2020 are aligned to performance, that *the Policy* continues to promote the long term success of LSL and incentivises the delivery of strong yet sustainable financial results, with the creation of Shareholder value.

Accordingly, the Remuneration Committee seeks the support of Shareholders for the resolutions to approve LSL’s remuneration arrangements at the 2021 AGM. If Shareholders have any questions or observations, then I will be pleased to hear from you directly and will be available at the 2021 AGM. I can also be contacted via the Company Secretary’s office (please see details on page 212).

Finally in 2021, I will step down as Chair of the Remuneration Committee and Darrell Evans will take over as Chair. Darrell has been a member of the Remuneration Committee since his appointment to the Board in February 2019 and we have been working closely in the latter months of 2020 to ensure a smooth hand over of responsibilities. I wish Darrell well in taking over as Remuneration Committee Chair.

Bill Shannon

Chair of the Remuneration Committee

27 April 2021

Directors' Remuneration Policy (*the Policy*)

Introduction and overview

When setting the Executive Directors' and senior managers' remuneration, the Remuneration Committee seeks to ensure that all individuals are provided with appropriate profit based incentives and an element of pay relating to non-financial performance measures, in order to encourage enhanced performance, and to ensure that individuals are, in a fair and responsible manner, rewarded for their contributions to the success of the Group.

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

Decision making process for determination, review and implementation of Directors' Remuneration Policy

The Remuneration Committee reviews *the Policy* and the operation of *Policy* to ensure it continues to support and reward the Executive Directors to achieve the business strategy, both operationally and over the longer term. It reviews the structure and quantum and takes into account the *Code*, market practice, institutional investor and investor representative body views generally and those of its own Shareholders. The Remuneration Committee also has regard to the remuneration arrangements, policies and practices of the workforce as a whole, which it reviews as part of its annual agenda.

The Policy is reviewed annually by the Remuneration Committee to ensure that changes are not required prior to the triennial Shareholder vote. When the Committee determines that changes are required it will formulate proposals and consult with its Shareholders. Shareholder feedback is then taken into consideration in finalising *the Policy* changes.

Operation of *the Policy* is considered annually for the year ahead, including metrics for incentives, weightings and targets. The Remuneration Committee reviews operation for the prior year and considers whether, in light of the strategy, changes are required for the year ahead. Targets for the annual bonus and LTIP awards are also reviewed and consideration is given to whether these remain appropriate or need to be recalibrated. Shareholders views will be sought depending on the changes proposed.

Consideration of Shareholder views

Each year the Remuneration Committee considers Shareholder feedback received in relation to LSL's *Annual Report and Accounts*, including the *Directors' Remuneration Report*, at a meeting following the Company's AGM. This feedback, plus any additional feedback received during any meetings or consultations with Shareholders during the year, is then considered as part of LSL's review of *the Policy* and its annual implementation review. In addition, the Remuneration Committee engages directly with significant Shareholders and their representative bodies in respect of any proposed changes to the Policy and, as appropriate, changes to the implementation of *the Policy*. Details of votes cast for and against the resolution to approve the previous year's *Directors' Remuneration Report* and any matters discussed with Shareholders during the year are set out in the *Annual Report on Remuneration*.

For further details of the way in which LSL communicates with its Shareholders, please see the *Shareholder Relations* section of the *Corporate Governance Report*.

Wider workforce considerations

The Remuneration Committee considers the remuneration arrangements for the wider LSL workforce and related policies, to ensure the alignment of incentives and rewards with culture, and has taken these into account when setting the Directors' Remuneration Policy and in determining the remuneration for the Executive Directors and senior managers, to ensure consistency of approach throughout the Group. Annual bonus, annual bonus Share investment and long term incentive awards provide alignment between the senior management and Shareholders. The Remuneration Committee also considers average base salary increases awarded to the overall employee population and the cascade of pay structures throughout the business. The remuneration policy for all employees is determined in line with best practice and aims to ensure that LSL is able to attract and retain the best people. This principle is followed in the development of LSL's *Policy*.

Although employees were not directly consulted on *the Policy*, the Group HR Director attends Remuneration Committee meetings by invitation to provide additional perspective on Group HR policies and practices, including from an employee perspective. LSL has also appointed Darrell Evans as its designated Non Executive Director for workforce engagement, who is also a member of the Remuneration Committee and is also able to reflect the views of employees to the Committee. Further, the *Annual Report on Remuneration* details the engagement undertaken to explain the alignment of *the Policy* to the wider Group remuneration policy.

***Policy* detail by remuneration element**

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. • Takes periodic comparison against companies with similar characteristics and sector comparators.	• There is no prescribed maximum annual basic salary increase. • The Remuneration Committee is guided by the general increase for the broader employee population but may decide to award a lower increase for Executive Directors or indeed exceed this 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 Remuneration Committee after the end of the relevant financial year, subject to performance against targets set at the start of the relevant financial year. • The Remuneration Committee has the discretion to adjust and to override formulaic outcomes for annual bonus payment due, if the Remuneration Committee considers it is not reflective of the underlying performance of LSL, taking into account amongst other things, the 'quality of earnings' that underlies 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 Chief Executive Officer is required to purchase and hold Shares equivalent to 33% of any bonus earned, net of tax, for a period of two years. The other Executive Directors are required to purchase and hold Shares equivalent to 25% of any bonus earned net of tax, for a period of two years, which will in normal circumstances continue post cessation of employment. For all Executive Directors on cessation of employment, these Shares will not be forfeited for any reason, however clawback and the holding period will continue to apply. • Not pensionable. • Bonus awards are subject to clawback and malus applicable for six years from payment of the bonus, 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 vesting period to the significant detriment of customers, or an act or omission leading to gross misconduct. Recovery can be made through scaling back of existing awards, reduction of future awards including under the LTIP and requesting repayment as a cash sum.	• Maximum opportunity: 100% 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. This has not occurred and therefore the maximum remains at 100% of salary.	• 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 (approved by Shareholders at the 2017 AGM)	• Aligned to key performance indicators of the Group that drive the strategies and performance of the businesses.	• Awards of nil-cost or conditional Shares are made annually, with vesting dependent on the achievement of performance conditions over the subsequent three years. • The Remuneration Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures. • The Remuneration Committee will have the discretion to adjust and to override formulaic outcomes of LTIP vesting if it considers that it is not reflective of the underlying performance of LSL, taking into account amongst other things the 'quality of earnings' that underlies the vesting outcomes, which may put at risk future cash-flows, as well as the investor experience and the employee reward outcome. • Discretion for the Remuneration Committee 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 applicable 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 vesting period to the significant detriment of customers, act or omission leading to gross misconduct. Recovery can be made through scaling back of existing awards, reduction of future awards including under the annual bonus and deferred annual bonus plan 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 to awards granted from 2018 and in normal circumstances continues to apply post-cessation of employment. • At least 30% of the award will be determined by TSR performance, with the remainder by other financial metrics. • 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 made by the Remuneration Committee under the approved SAYE, SIP/BAYE and CSOP.	• As per HMRC limits.	None.
Executive Share ownership guidelines	• To provide alignment between 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 approval of *the Policy*. • The other Executive Directors are required to build and maintain a minimum shareholding equivalent to 150% of basic salary over a period of five years from the approval of *the Policy*. • 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 new *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: ◦ 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 Chief Executive Officer and 150% of basic salary for the other Executive Directors – 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. • Access to car allowance to facilitate 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.	• New appointments will 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 or a pension contribution equivalent to 5% of basic salary.	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 on a monthly basis. • 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, which is contained in *LSL's Articles of Association*. • Fee levels are determined and reviewed taking into account experience, time commitment, responsibility and scope of role, as well as the general increase for the broader employee population and market data for similar roles in other companies of a similar size and complexity to LSL. Current fee levels are set out in the *Annual Report on Remuneration*.	None.

Notes to the Remuneration Policy summary:

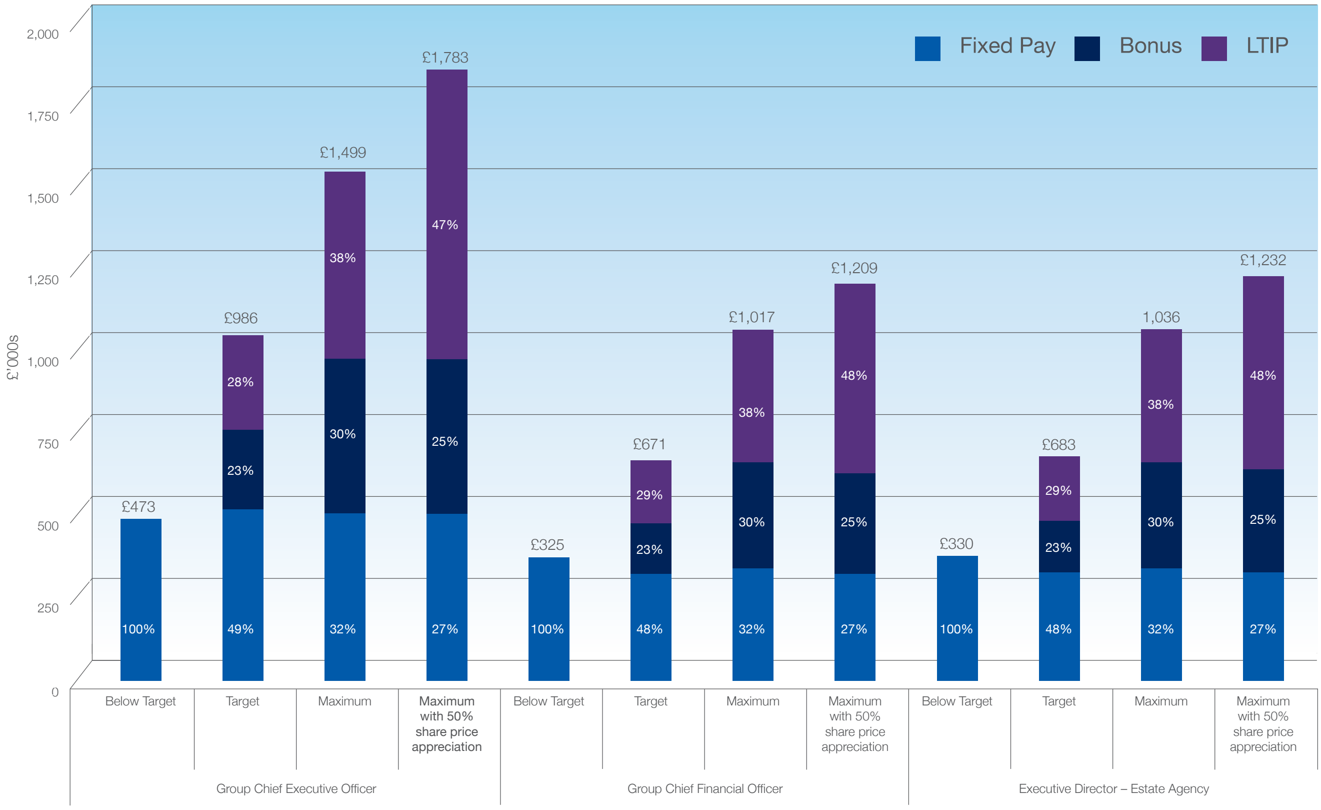
1. How LSL will operate *the Policy* in the year ahead is detailed in the *Annual Report on Remuneration*.
2. LSL's *Policy* for the remuneration of Executive Directors and senior managers as set out in the table above also applies to the wider LSL workforce, with the following differences:
    - a lower level of maximum annual bonus (or no bonus) opportunity may apply to employees or commission may be payable for fee-earning roles;
    - participation in the LTIP scheme is limited to the Executive Directors and selected senior managers. All employees are eligible to participate in LSL's employee Share schemes: SAYE, SIP/BAYE; and CSOP, upon invitation;
    - benefits (including benefits in kind and salary sacrifice arrangements) that are offered to other employees generally comprise paid holidays, life insurance cover and a wide variety of flexible benefits such as childcare vouchers, a health cash plan, and, for more senior employees, private medical insurance; and
    - LSL offers a stakeholder pension scheme with employee and employer contributions for new members, calculated at a level which is compliant with automatic enrolment minimums (increasing over time as required by legislation) and based on a band of qualifying earnings which may vary month by month as variable pay fluctuates. Senior employees are offered the opportunity to join the enhanced scheme after one years' service; this enables a 5% match of basic salary. The Remuneration Committee may use its discretion to recommend a 5% match of basic salary on appointment and where the individual has reached his/her annual or lifetime allowances, a cash equivalent may be offered.

    In general, the differences above arise from the development of remuneration arrangements that are market competitive for the various categories of individuals, together with the fact that remuneration of the Executive Directors and senior managers typically has a greater emphasis on performance related pay.
3. The choice of the performance metrics applicable to the annual bonus scheme reflect the Remuneration Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of profit and non-financial measures.
4. The TSR and adjusted EPS performance conditions applicable to the LTIP were selected by the Remuneration Committee on the basis that they reward the delivery of long term returns to Shareholders and the Group's financial growth, and they are consistent with LSL's objective of delivering superior levels of long term value to Shareholders. The TSR performance condition is monitored on the Remuneration Committee's behalf by an independent adviser, whilst LSL's EPS growth is derived from the audited Financial Statements. Alternative or additional measures may be selected by the Committee if it considered they are aligned to the Group's strategy.
5. LSL operates the LTIP scheme in accordance with the plan rules, the Listing Rules of the UKLA, and the Remuneration Committee terms of reference, which are consistent with market practice. This retains Remuneration Committee discretion over a number of areas relating to the operation and administration of the LTIP scheme. The Remuneration Committee has the discretion under the plan rules, in certain circumstances, to grant and/or settle an award in cash. In practice this will only be used in exceptional circumstances.
6. The LTIP awards vest after three years and for grants made in 2018 and subsequent years, a two year post-vesting holding period applies.
7. The employee Share schemes (SAYE, SIP/BAYE and CSOP) do not include any performance conditions.
8. For the avoidance of doubt, authority is given to LSL to honour any commitments entered into with current or former Executive Directors (such as the payment of last year's annual bonus or the vesting/exercise of Share awards granted in the past) that have been disclosed in this and previous *Directors' Remuneration Reports*. Details of any payments to former Directors will be set out in the *Annual Report on Remuneration* as they arise.

Reward scenarios (illustration of application of *the Policy* for 2021)

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

In line with the new Reporting Regulations, the graph also includes an indication of 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:

1. The 'below target' performance scenario comprises the fixed elements of remuneration only, including:
   a. basic salary is as applicable from 1 January 2021;
   b. pension is as per *the Policy*; and
   c. benefits use the value reported for the previous financial year.
2. The target level of bonus is assumed to be 50% of the maximum bonus opportunity (100% of basic salary), and the on target level of LTIP vesting is assumed to be 50% of the face value, assuming a normal grant level (125% of basic salary). These values are included in addition to the components of fixed remuneration.
3. The maximum remuneration assumes full bonus payout (100% of basic salary) and the full face value of the LTIP (125% of basic salary), in addition to fixed components of remuneration.
4. No Share price growth has been factored into the calculations in the Below Target, Target and Maximum calculations.
5. 50% Share price growth over the three year performance period of the LTIP award has been used for the 'Maximum with 50% share price appreciation' scenario.
6. The assumptions noted for 'on target' performance in the graph above are provided for illustration purposes only.

Approach to recruitment and promotions

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

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

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

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

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

Service contracts for Executive Directors

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

Director	Commencement of service contract	Notice period (from Executive Director/LSL)
David Stewart Group Chief Executive Officer	1 May 2020	Nine months
Adam Castleton Group Chief Financial Officer	2 November 2015	Nine months
Helen Buck Executive Director – Estate Agency	2 February 2017	Nine months

At the Remuneration 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. A summary of the main contractual terms surrounding termination is set out below:

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

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

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

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

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

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

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

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

Non Executive Directors

LSL's policy is to appoint Non Executive Directors with a breadth of qualifications, skills and experience relevant to LSL's businesses and strategy. The Board makes appointments based on the Nominations Committee's recommendations and advice. For further details on the Nominations Committee's role and responsibilities, and how it discharges its duties, see the *Corporate Governance Report*.

Non Executive Directors, including the Chair, have letters of appointment which set out their duties 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 LSL's Non Executive Directors. Further details relating to the Non Executive Directors' appointments can be found in the *Corporate Governance Report*.

Director	Date Original Term Commenced	Date Current Term Commenced	Expiry Date of Current Term
Gaby Appleton Independent Non Executive Director	1 September 2019	-	31 August 2022
Simon Embley Chair	1 January 2015	1 January 2021	31 December 2023
Darrell Evans Independent Non Executive Director	28 February 2019	-	27 February 2022
Bill Shannon Deputy Chair and Senior Independent Director	7 January 2014	7 January 2020	6 January 2023

As announced on 23 April 2021, Simon Embley has been appointed Chief Executive of Pivotal Growth (a new joint venture between LSL and Pollen Street Capital) and will step down from his role as Chair of the LSL Board following the publication of the Group's 2020 Preliminary Results on 28 April 2021. He will stay on the LSL Board as a Non Executive Director. Bill Shannon, will become Chair of the LSL Board from 28 April 2021 and as part of the Board changes, Bill will take over as Chair of the Nominations Committee and remain as Chair of the Audit & Risk Committee with the intention of being replaced as Chair of this Committee during 2021. Bill will also step down as Chair of the Remuneration Committee from 28 April 2021 and Darrell Evans will assume responsibility of Chairing this Committee from that date. As part of these changes LSL will also look to appoint a new Senior Independent Director in 2021.

Annual Report on Remuneration

Implementation of *the Policy* for the year ending 31 December 2021

This section of the Directors' Remuneration Report sets out how *the Policy* will be implemented for the financial year ending 31 December 2021.

Basic salary

2021 basic salary increases for the Executive Directors are in line with the average increase of non-commission earning Group employees (1.5%) rounded to the nearest £250. The basic salary levels as at 1 January 2021 for the Executive Directors are set out below:

Director	Role	2021 (£)	% increase from 1 January 2021	2020 (£)
Helen Buck	Executive Director – Estate Agency	313,750	1.5%	309,000
Adam Castleton	Group Chief Financial Officer	307,500	1.5%	303,000
David Stewart	Group Chief Executive Officer	455,750	1.5%	449,000

Annual bonus for 2021

The Remuneration Committee will operate an annual bonus plan for Executive Directors during 2021 that is broadly similar to that operated in 2020. The maximum bonus continues to be capped at 100% of basic salary. There will be a sliding scale of performance targets based on LSL's budgeted Group Underlying Operating Profit (after the payment of bonuses) for 70% of the potential bonus, with the remaining 30% of the potential bonus based on challenging non-financial performance measures.

The increased weighting of non-financial measures from 20% to 30% is in line with *the Policy* and reflects the Committee's desire to focus the Executive Directors on delivering specific strategic objectives in 2021 and the importance of these objectives to the future growth of the business.

The non-financial measures for the 2021 bonus scheme will include objectives based on the Executive Directors' delivery of key strategic initiatives in each of LSL's three business segments: Financial Services, Surveying and Valuation Services, and Estate Agency. Full disclosure of these targets will be provided in the 2021 Directors' Remuneration Report.

The Remuneration Committee is satisfied that the objectives set are challenging and demanding, reflect LSL's ongoing business expectations and have a clear link to LSL's strategy. The Group Underlying Operating Profit targets require LSL's performance to be significantly better than budget for full payout.

As detailed under the Policy, the Group Chief Executive Officer is required to purchase Shares equivalent to 33% of any 2021 bonus earned, net of tax, and hold them for two years. The other Executive Directors are required to purchase Shares equivalent to 25% of any 2021 bonus earned, net of tax, and hold them for two years.

Long Term Incentive Plan (LTIP) 2021 awards

After careful consideration, the Remuneration Committee has chosen to proceed with the 2021 LTIP grant in line with its usual grant cycle and therefore intends to grant awards in early May 2021. The Remuneration Committee has also carefully considered the Company's share price movement and, due to the share price now being at broadly comparable levels to the average share price in 2019, has chosen not to scale back the 2021 LTIP awards. The Committee therefore intends to proceed with an award of 125% for each of the Executive Directors, in line with its *Policy*.

The Remuneration Committee has also considered carefully the appropriate performance metrics to apply to the 2021 LTIP awards. As a result of the continued difficulties in forecasting medium to long term trading conditions, the Committee has chosen to maintain the adjusted performance metrics of 50% based on EPS and 50% on TSR, in line with the 2020 LTIP grant. Furthermore, the awards to the Executive Directors are subject to a two year post-vesting holding period, which would also apply post-cessation of employment. The Remuneration Committee can adjust the outcomes, if vesting levels do not reflect the underlying financial performance of the Company.

The TSR peer group for the 2021 LTIP awards will continue to be the FTSE Small Cap index, excluding investment trusts. The Committee has concluded that as a constituent of this index, LSL's relative performance against it continues to provide an appropriate measure of performance for future awards and alignment with Shareholders. Payment under this element of the LTIP award will only begin for median performance and above, with maximum payment under this element only being payable for upper quartile performance and above against the index, over the three year period of the awards.

The EPS range for the LTIP award will be confirmed at the time the awards are granted via an RNS announcement and will be published in full in the 2021 Directors' Remuneration Report. The Remuneration Committee's aim is to set an EPS target range that is realistic and achievable for threshold vesting, whilst providing stretching targets for maximum vesting that significantly exceed analysts' expectations. The Remuneration Committee will review and set the EPS growth range as close as possible to the grant date, in order to best assess the prevailing market conditions at the time, particularly in light of the ongoing COVID-19 pandemic.

Benefits

Taxable benefits for the Executive Directors will continue to include a car allowance, life assurance and private medical insurance. Benefits in kind are not pensionable and are not taken into account when determining basic salary for performance related remuneration.

Pension

All LSL's Executive Directors are paid an employer pension contribution in line with or below that received by the majority of LSL's wider workforce. Adam Castleton, Group Chief Financial Officer, chooses to participate in LSL's auto enrolment pension scheme and receives 3% of banded earnings as a pension contribution from the Company. Helen Buck, Executive Director – Estate Agency, has elected not to join the pension scheme and receives no additional compensation in lieu of this. David Stewart, Group Chief Executive Officer, receives 3% of banded earnings in lieu of any employer pension contributions.

Non Executive Directors

2021 basic fee increases for the Non Executive Directors are in line with the average increase of non-commission earning Group employees (1.5%), rounded to the nearest £250. The annual fees for the Non Executive Directors are as follows:

Director	Note	2021 (£)	% increase from 1 January 2021	2020 (£)
Gaby Appleton Independent Non Executive Director	1	44,750	1.7%	44,000
Simon Embley Chair		139,500	1.5%	137,500
Darrell Evans Independent Non Executive Director	2	46,750	1.6%	46,000
Bill Shannon Deputy Chair and Senior Independent Director	3	79,250	1.6%	78,000

Notes to summary of 2021 fees for the Non Executive Directors:

1. Gaby Appleton's fee is paid for her role as a Non Executive Director.
2. Darrell Evans' fee is paid for his role as a Non Executive Director (£44,750) and his additional responsibility as designated Non Executive Director in relation to workforce engagement (£2,000).
3. Bill Shannon's fee is paid for his role as a Non Executive Director (£44,750) and his additional responsibilities as Deputy Chair and Senior Independent Director (£22,500), Chair of the Audit Committee (£6,000) and Chair of the Remuneration Committee (£6,000). Bill was also Chair of the Nominations Committee until 30 April 2020. However, he ceased to perform the role from this date and was appointed as Chair of the Audit Committee from 1 May 2020. As the fee for Chair of both Committees is the same Bill's fee was not changed during 2020.
4. The fees for Simon Embley, Darrell Evans and Bill Shannon will be reviewed and adjusted accordingly following Simon stepping down from his role as Chair of the LSL Board and becoming a Non Executive Director, Bill Shannon being appointed as Chair of the LSL Board and Darrell Evans assuming responsibility of Chair of Remuneration Committee from 28 April 2021. Their fees for 2021 will be stated in full in the 2021 Directors' Remuneration Report.

Directors’ remuneration payable in 2020 - audited information

Directors’ remuneration

The remuneration of the Directors for 2020 was as follows:

	Notes	Year	Basic salary or fees[7] £	Benefits[8] £	Pension contributions[9] £	Sub total – fixed pay £	Annual bonus[11] £	Share awards[12] £	Sub total – variable pay £	Grand total £
Chairman										
Simon Embley		**2020**	**137,500**			**137,500**				**137,500**
	1	2019	158,500			158,500				158,500
Executive Directors										
Helen Buck		**2020**	**309,000**	**16,123**		**325,123**	**0**	**35,810**	**35,810**	**360,933**
		2019	309,000	16,324		325,324	188,235		188,235	513,559
Adam Castleton		**2020**	**303,000**	**16,423**	**1,314**	**320,737**	**0**	**35,103**	**35,103**	**355,840**
		2019	303,000	16,703	366	320,069	193,014		193,014	513,083
Ian Crabb	2	**2020**	**149,667**	**5,000**	**6,547**	**161,214**	**0**		**0**	**161,214**
		2019	449,000	15,000	19,641	483,641	277,038		277,038	760,679
David Stewart	3	**2020**	**299,333**	**10,833**	**766**	**310,932**	**0**		**0**	**310,932**
		2019								
Independent Non Executive Directors										
Gaby Appleton		**2020**	**44,000**			**44,000**				**44,000**
	4	2019	14,667			14,667				14,667
Kumsal Bayazit Besson		**2020**								
	5	2019	14,667			14,667				14,667
Darrell Evans		**2020**	**46,000**			**46,000**				**46,000**
	6	2019	38,500			38,500				38,500
Bill Shannon		**2020**	**78,000**			**78,000**				**78,000**
		2019	78,000			78,000				78,000
David Stewart	3	**2020**	**16,667**			**16,667**				**16,667**
		2019	50,000			50,000				50,000
Total		**2020**	**1,383,167**	**48,380**	**8,626**	**1,440,173**	**0**		**70,913**	**1,511,086**
		2019	1,415,334	48,027	20,007	1,483,368	658,287		658,287	2,141,655

Notes to Directors’ Remuneration table:

1. Simon Embley’s 2019 fee included £21,000 in relation to one-off consultancy services provided to the LSL Group in 2019, in addition to his responsibilities as Board Chair.
2. Ian Crabb stepped down from the Board on 30 April 2020 and his remuneration as an Executive Director for the period 1 January 2020 to 30 April 2020 is shown in the table above. Ian Crabb continued to receive remuneration during his nine month notice period, which expired on 31 January 2021. This additional remuneration is detailed under payments for loss of office later in the report.
3. David Stewart was appointed as Group Chief Executive Officer on 1 May 2020. His remuneration for this role is shown in the Executive Directors section of the table. Prior to 1 May 2020, David was an independent Non Executive Director and his remuneration with respect to this role is shown in the Non Executive Directors section of the table.
4. Gaby Appleton was appointed to the Board on 1 September 2019.
5. Kumsal Bayazit Besson retired from the Board on 30 April 2019.
6. Darrell Evans was appointed to the Board on 28 February 2019.
7. Basic salaries and fees do not include the 33.3% voluntary reduction in fees and salaries, as this was subsequently repaid by the Company to all Directors in January 2021.
8. Benefits comprise private medical cover and company car or car allowance.

9. Ian Crabb received a 5% of basic salary pension contribution, paid partly as a cash allowance to the extent he had reached his annual pension allowance. David Stewart receives 3% of banded earnings in lieu of pension. Adam Castleton elected to join the auto enrolment pension scheme in September 2019 and receives 3% of banded earnings as an employer contribution from that date.
11. The Remuneration Committee chose not to award any bonuses to Executive Directors in 2020. LSL's performance in 2019 resulted in the Executive Directors earning an annual bonus of between 60.9% and 63.7% of their basic salaries.
12. The Adjusted EPS and TSR performance conditions for the 2017 LTIP were not met and the awards did not vest. Whilst the EPS performance conditions for the 2018 LTIP award were not met, the TSR performance conditions were partially met and therefore resulted in a partial (9.03%) vesting of award for Helen Buck and Adam Castleton. The expected value of vesting has been calculated using LSL's closing share price over the last three months of the financial year to 31 December 2020 (228.7 pence). £3,006 and £2,924 of this amount is attributable to share price appreciation for Helen Buck and Adam Castleton respectively. These figures will be restated in the 2021 Directors' Remuneration Report to reflect the actual share price at vesting.

Annual bonus

Annual bonus payments 2020 – audited information

Set out in the table below is a summary of the bonus targets which were set at the beginning of the year, and performance for 2020:

<table>
<tr><th>Financial performance measures</th><th colspan="4">Group Underlying Operating Profit</th><th colspan="4">Estate Agency Underlying Operating Profit</th><th>Total amount payable under formulaic calculation of financial element, as % of basic salary</th></tr>
<tr><td>Director</td><td>Weighting</td><td>Threshold</td><td>Maximum</td><td>Achievement</td><td>Weighting</td><td>Threshold</td><td>Maximum</td><td>Achievement</td><td></td></tr>
<tr><td>Helen Buck</td><td>20%</td><td>£35.696m</td><td>£40.352m</td><td rowspan="3">£41.541m</td><td>60%</td><td>£16.320m</td><td>£21.120m</td><td>£16.730m</td><td>41.4%</td></tr>
<tr><td>Adam Castleton</td><td>80%</td><td>£35.696m</td><td>£40.352m</td><td colspan="4" rowspan="2">Specific to Helen Buck only</td><td>80%</td></tr>
<tr><td>David Stewart</td><td>80%</td><td>£35.696m</td><td>£40.352m</td><td>80%</td></tr>
</table>

As detailed earlier in this Report, despite the financial targets associated with the 2020 bonus scheme being achieved, the Remuneration Committee has determined that due to: (a) the level of Government support received by the Group during the year; (b) the full year dividend for 2019 and total dividend for 2020 being suspended; and (c) a large number of Group employees being placed onto furlough during the year, it was appropriate not to award bonus payments to Executive Directors in respect of 2020.

The total payment of the financial element of the bonus awards, had the Committee not chosen to exercise this discretion, would have been 41.4% of salary for Helen Buck and 80% of salary for Adam Castleton and David Stewart (pro rata based on his start date in role), as detailed in the table above.

The Committee has also not awarded the element of bonus relating to non-financial measures, representing up to a further 20% of salary, as detailed below.

Non-financial measures/strategic goals

At the beginning of the year, the Committee set the financial targets for the annual bonus, as detailed above, but delayed setting the non-financial measures/strategic goals because the detail of these would depend on the outcome of the Countrywide plc transaction. At the time the decision was made to not proceed with the offer in March 2020, the Group's focus was on responding to the COVID-19 pandemic and the period of uncertainty. At this time, it was acknowledged that it was highly unlikely that it would be appropriate to pay a bonus for 2020. Taking this into account and the key priorities of the business in light of the pandemic, a decision was taken to not formally set the Executive Directors' non-financial measures for 2020.

Share awards vesting

Details of LTIP awards vesting in relation to the year ended 31 December 2020 are as follows:

2018 LTIP awards (nil cost options)

Based on performance over the three year period to 31 December 2020, the 2018 LTIP awards will vest at 9.03% of maximum on 29 March 2021. Details of the performance measures, targets and performance are set out in the table below. The TSR performance is measured against a peer group comprising 21 companies that operate in similar or related sectors to LSL. For a full list of these companies, please refer to the 2018 Annual Report and Accounts.

Executive Director	Date of grant (three year vesting)	Number of Shares under award	Face value at grant date[1] (125% of salary)	Earnings per Share (EPS) target	TSR target	Actual adjusted EPS growth (70% of the award)[2]	Actual relative TSR (30% of the award)[2]	Expected vesting % in 2021	Expected total vesting value £[3]
Helen Buck Executive Director – Estate Agency	29 March 2018	173,405	£380,625	25% of EPS part vesting for adjusted EPS growth of 7.5% p.a., increasing in a straight line to 100% vesting for adjusted EPS growth of 13.0% p.a.	25% of TSR part vesting for median ranking, increasing to 100% vesting for upper quartile or above ranking	4.0% p.a.	Between median and upper quartile 0.59% TSR against a median of -3.3%	9.03%	£35,810
Adam Castleton Group Chief Financial Officer	29 March 2018	169,988	£373,125					9.03%	£35,103

Notes to 2018 LTIP awards:

1. Based on the number of Shares granted multiplied by the three day average Share price (219.5 pence) immediately prior to the grant date.
2. Three year performance period ending 31 December 2020.
3. The expected value of vesting has been calculated using LSL's average share price over the three months to 31 December 2020 (228.7 pence). These figures will be restated in the 2021 Directors' Remuneration Report, to reflect the actual share price at vesting.

Share awards granted during 2020

As detailed in the *Annual Statement* section of this Report, the Committee chose to delay the annual grant of the LTIP awards in 2020 and to scale back the normal annual LTIP grant for Executive Directors from 125% of salary to 104% of salary, to reflect the relative fall in LSL’s share price during 2020 and to prevent Executives benefiting from windfall gains as a result of this delay. The Remuneration Committee also considered carefully the appropriate performance metrics to apply to the awards, and as a result of the difficulty in forecasting medium to long term trading conditions, has chosen to adjust the weighting of the performance metrics to be 50% based on EPS and 50% on relative TSR.

The TSR performance metric for the 2020 LTIP grant is determined by LSL’s performance against the FTSE Small Cap index, excluding investment trusts. Performance will be measured over the three year period from the date of grant.

The Committee also considered carefully the appropriate EPS range for the 2020 LTIP award and elected to set an absolute EPS pence range, as detailed in the table below. In setting this range, the Committee considered the Group’s internal forecasts under a range of scenarios, the forecast conditions in the housing market and the external market consensus for LSL’s EPS in the coming years. The relatively wide range reflects the uncertainty that exists in making forecasts at this time. However, the Committee believes the threshold level of vesting provides the Executives with a realistic target, whilst the upper end of this range requires significant outperformance. The Committee can adjust the award outcomes if vesting levels do not reflect the Company’s underlying financial performance and can reconsider the EPS range should the housing market perform significantly better than assumed in setting this range.

Details of LTIP (nil cost option) awards granted in 2020 are as follows:

Executive Director	Date of grant (three year vesting)	Number of Shares under award	Face value at grant date[1] (104% of basic salary)	Percentage of award vesting at threshold performance	Maximum percentage of face value that could vest	Adjusted Basic Earnings Per Share (EPS) (50% of the award)	Relative TSR (50% of the award) against FTSE Small Cap, excluding investment trusts	Performance period
Helen Buck Executive Director – Estate Agency	9 November 2020	152,665	£321,360	25%	100%	Threshold vesting: 25.6 pence Adjusted Basic EPS in 2022 maximum vesting: 35.1 pence Adjusted Basic EPS in 2022 straight line vesting in between.	Threshold vesting: median TSR maximum vesting: upper quartile TSR straight line vesting in between.	EPS: financial year ending 31 December 2022 TSR: three years to 9 November 2023
Adam Castleton Group Chief Financial Officer	9 November 2020	149,700	£315,119					
David Stewart Group Chief Executive Officer	9 November 2020	221,833	£466,958					

Notes to 2020 LTIP awards:

1. Face value is calculated using the three day average Share price (210.5 pence) prior to the grant date.
2. The 2020 LTIP awards made to the Executive Directors are subject to a two year post-vesting holding period that would also apply post-cessation of employment.

External appointments

David Stewart, Group Chief Executive Officer, is Non Executive Chair of the Enra Group. Otherwise, none of the Executive Directors hold non executive directorships of any other companies, other than to represent the Group’s investment interests in other companies.

Payments to past Directors

No payments have been made to past Directors.

Payments for loss of office

On stepping down from the Board on 1 May 2020, Ian Crabb remained an employee of LSL until 30 January 2021, in line with his nine month notice period. From 1 May 2020 to 31 December 2020, Ian received his basic salary of £299,333, a car allowance of £10,000 and pension contributions totalling £13,094. These values are inclusive of the voluntary salary and benefit reduction for this period, which was subsequently repaid to Ian in January 2021 in line with other members of the LSL Board. Ian has not received any payment in lieu of notice and was not entitled to receive any bonus payment in respect of 2020.

Ian Crabb was entitled to exercise options in relation to 49,228 Shares which had vested under the 2013 LTIP awards and chose to exercise this award in January 2021. His 2018 (234,624 Shares) and 2019 (220,098 Shares) LTIP awards lapsed on cessation of his employment in January 2021.

Outstanding Share awards

Options granted to Executive Directors and to the Chair (when he was Group Chief Executive Officer) to acquire LSL Shares are as follows:

Director	Award type	Date of grant	Share price on grant	Exercise price	As at 1 January 2020	Awards granted during year	Awards lapsed during year	Awards exercised during year	Awards vested during year	As at 31 December 2020	Exercise period
Helen Buck Executive Director – Estate Agency	LTIP	30 March 2017	209.50p	Nil	143,198	-	143,198	-	-	0	30 March 2020 to 30 March 2027
	SAYE	1 June 2017	232.75p	215.00p	2,511	-	2,511	-	-	0	1 June 2020 to 30 November 2020
	LTIP	29 March 2018	219.50p	Nil	173,405	-	-	-	-	173,405	29 March 2021 to 29 March 2028
	SAYE	1 June 2018	249.00p	245.00p	1,469	-	-	-	-	1,469	1 June 2021 to 30 November 2021
	LTIP	29 March 2019	255.00p	Nil	151,470	-	-	-	-	151,470	29 March 2022 to 29 March 2029
	SAYE	1 June 2019	227.00p	265.00p	2,037	-	-	-	-	2,037	1 June 2022 to 30 November 2022
	LTIP	9 November 2020	210.50p	Nil	-	152,665	-	-	-	152,655	9 November 2023 to 9 November 2030
Adam Castleton Group Chief Financial Officer	LTIP	30 March 2017	209.50p	Nil	140,334	-	140,334	-	-	0	30 March 2020 to 30 March 2027
	SAYE	1 June 2017	232.75p	215.00p	2,511	-	2,511	-	-	0	1 June 2020 to 30 November 2020
	LTIP	29 March 2018	219.50p	Nil	169,988	-	-	-	-	169,988	29 March 2021 to 29 March 2028
	SAYE	1 June 2018	249.00p	245.00p	1,469	-	-	-	-	1,469	1 June 2021 to 30 November 2021
	LTIP	29 March 2019	255.00p	Nil	148,529	-	-	-	-	148,529	29 March 2022 to 29 March 2029
	LTIP	9 November 2020	210.50p	Nil	-	149,700	-	-	-	149,700	9 November 2023 to 9 November 2030
Simon Embley Chair	JSOP	1 June 2010	271.00p	280.00p	83,928	-	83,928	-	-	0	1 June 2013 to 1 June 2020
	CSOP	11 June 2010	240.00p	240.00p	12,500	-	12,500	-	-	0	11 June 2013 to 11 June 2020
	LTIP	2 April 2012	275.00p	Nil	58,333	-	-	-	-	58,333	2 April 2015 to 2 April 2022
David Stewart Group Chief Executive Officer	LTIP	9 November 2020	210.50p	Nil	-	221,833	-	-	-	221,833	9 November 2023 to 9 November 2030

Notes to outstanding Share awards:

1. All of the above are scheme interests. Details of long term incentive awards granted in 2020 are presented in a separate paragraph, while details of previous outstanding awards are presented in the previous year's Directors' Remuneration Report and are included in Note 14 to the *Group Financial Statements*.
2. The Share mid-market price ranged from 148.0 pence to 342.5 pence and averaged 223.0 pence during 2020. The Share price on 31 December 2020 was 291.0 pence, compared to 265.0 pence on 2 January 2020.
3. Simon Embley's Share awards have been pro-rated to reflect his change of role to Non Executive Chair on 1 January 2015.
4. Simon Embley's JSOP award over 83,928 Shares, which was granted to him in 2013 when he was Group Chief Executive Officer, lapsed in June 2020. The interest in the Shares was acquired from Simon with a repayment of part of the monies paid by Simon to acquire the original interest. This payment totalled £1,678.56 and was repaid in August 2020.
5. The LTIP awards granted to the Executive Directors in 2018, 2019 and 2020 are subject to the two year post-vesting holding period. This two year post-vesting holding period would continue to apply post-cessation of employment.

Directors' interests in Shares

The interests of the Directors who served on the Board during the year are set out in the table below:

	Shareholdings (Number of Shares)		Share Awards (Number of Shares)		Total (Number of Shares)	Shareholding guideline[1]	Executive Director shareholding[2]
Director	31 December 2020	31 December 2019	Unvested number of Shares	Vested but unexercised number of Shares	31 December 2020	(% of basic salary)	(% of basic salary)
Gaby Appleton Non Executive Director	-	-	-	-	-	-	N/A
Helen Buck[3] Executive Director – Estate Agency	3,378	2,145	481,036	-	3,378	150%	3.18%
Adam Castleton[4] Group Chief Financial Officer	4,374	3,139	469,686	-	4,374	150%	4.20%
Ian Crabb[5] Former Group Chief Executive Officer	82,054	81,759	460,739	49,228	131,282	-	N/A
Simon Embley Chair	6,777,291	6,777,291	-	154,761	6,932,052	-	N/A
Darrell Evans Non Executive Director	-	-	-	-	-	-	N/A
Bill Shannon Deputy Chair and Senior Independent Director	25,329	25,329	-	-	25,329	-	N/A
David Stewart[6] Group Chief Executive Officer	-	-	221,833	-	-	200%	0.00%

Notes on Directors' interest in Shares:

1. Under *the Policy*, Executive Directors are required to build and maintain a shareholding equivalent to 200% of annual basic salary for the Group Chief Executive Officer and 150% of annual basic salary for the other Executive Directors, from the implementation date of the new *policy*. The Remuneration Committee recognises that due to the minimal vesting of long term incentive awards in recent years, there have been limited opportunities for Executive Directors to accumulate LSL Shares. The Committee is keen to increase Share ownership amongst the Executive Directors. Therefore under *the Policy*, the Group Chief Executive Officer will be required to purchase LSL Shares equivalent to 33% of any bonus earned from 2020 onwards, net of tax, and retain them for a minimum of two years or until the shareholding requirement is met. The other Executive Directors will be required to purchase LSL Shares equivalent to 25% of any bonus earned from 2020 onwards, net of tax, and retain them for a minimum of two years or until the shareholding requirement is met. Furthermore, 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) until the guideline is met.
2. The shareholdings are calculated based on Shares owned and vested but unexercised awards, net of tax, as at 31 December 2020. Based on the Share price at 31 December 2020 of 291.0 pence per Share and the Executive Director's basic salary at 31 December 2020.
3. Helen Buck was appointed as Executive Director – Estate Agency on 2 February 2017 and she has purchased Shares as a participant in LSL's SIP/BAYE since 4 July 2017. Helen was also awarded 228 free Shares as part of LSL's free share grant to all employees in October 2020 and these form part of Helen's SIP/BAYE shareholding.
4. Adam Castleton was appointed to the Board on 2 November 2015 and he has purchased Shares as a participant in LSL's SIP/BAYE since 1 June 2016. Adam was also awarded 228 free Shares as part of LSL's free share grant to all employees in October 2020 and these form part of Adam's SIP/BAYE shareholding.
5. Ian Crabb's entry indicates the number of Shares and share awards held on 1 May 2020 upon stepping down from the Board, rather than shareholding at 31 December 2020.
6. David Stewart was not awarded free Shares as part of LSL's free share grant, as he was not an employee of the Group on 31 March 2020, the chosen date for determining employees' eligibility for this award.

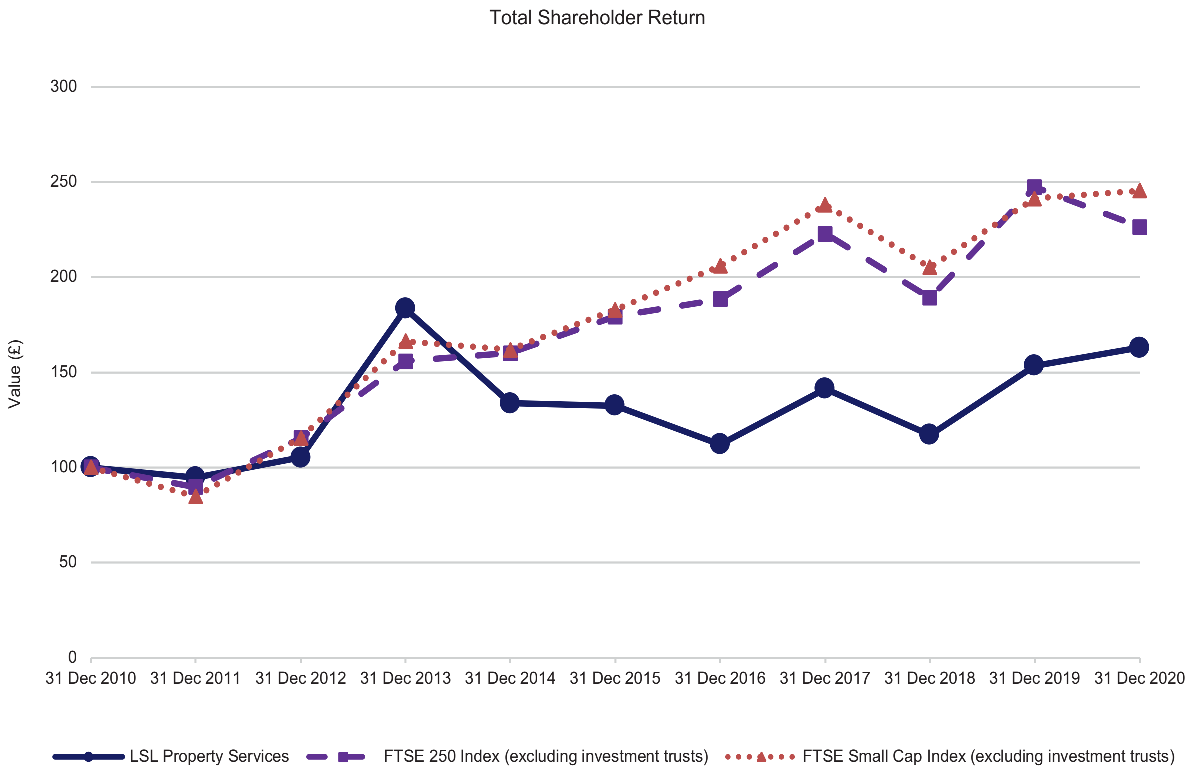
All of the interests detailed above are beneficial. Apart from the interests disclosed above, no Directors held interests at any time in the year in the Share capital of any other LSL company.

There have been no changes in the interests of any Director between 31 December 2020 and the date of this Report, other than the purchases of Shares by Adam Castleton (258 Shares) and Helen Buck (260 Shares) as participants of LSL's SIP/BAYE scheme. 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 2020, of £100 invested in LSL compared with the value of £100 invested in both the FTSE Small Cap (excluding investment trusts) Index and the FTSE 250 (excluding investment trusts) Index on 31 December 2010. The FTSE 250 Index has been chosen for consistency with prior years and the FTSE Small Cap Index because LSL is a constituent of the FTSE Small Cap Index.



Group Chief Executive Officer's total remuneration

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

	Year ending in											
	Simon Embley (to 9 September 2013)			Ian Crabb (from 9 September 2013 to 1 May 2020)								David Stewart (from 1 May 2020)
	2011	2012	2013	2013	2014	2015	2016	2017	2018	2019	2020	2020
Total remuneration	£308,747	£525,018	£500,862[1]	£119,522[1]	£571,500	£852,869	£499,000	£835,120	£774,629	£760,679	161,214[2]	310,932[2]
Annual bonus	9.6%	60%	91.7%	N/A	54%	93.3%	16%	97%	79.8%	61.7%	0%	0%
LTIP vesting	N/A	55%	0%	N/A	N/A	66.81%	0%	0%	0%	0%	N/A	N/A

Notes to Group Chief Executive Officer's total remuneration:

1. The total remuneration disclosed for 2013 is Simon Embley's total remuneration as Group Chief Executive Officer up to 9 September 2013, when he changed role to Deputy Chair, and Ian Crabb's total remuneration from 9 September 2013, when he was appointed Group Chief Executive Officer, to 31 December 2013.
2. The 2018 LTIP vested at 9.03% of maximum. However, the Group Chief Executive Officer's award lapsed on his leaving the business.
3. The total remuneration disclosed for 2020 is Ian Crabb's total remuneration as Group Chief Executive Officer up to 30 April 2020, when he ceased to be Group Chief Executive Officer, and for David Stewart from 1 May 2020 to 31 December 2020.

Percentage change in Directors' remuneration

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

	2020 vs 2019			2019 vs 2018		
Director	% change in salary / fees	% change in taxable benefits (excluding pension)	% change in bonus (includes commission)	% change in salary / fees	% change in taxable benefits (excluding pension)	% change in bonus (includes commission)
Chair						
Simon Embley[1]	-13.2	0.0	0.0	19.6	0.0	0.0
Executive Directors[2]						
Helen Buck	0.0	-1.2	-100.0	1.5	-1.2	36.8
Adam Castleton	0.0	-1.7	-100.0	1.5	-0.3	-17.8
David Stewart[3]	N/A	N/A	N/A	N/A	N/A	N/A
Non Executive Directors						
Gaby Appleton[4]	N/A	N/A	N/A	N/A	N/A	N/A
Darrell Evans[4]	N/A	N/A	N/A	N/A	N/A	N/A
Bill Shannon	0.0	0.0	N/A	7.3	0.0	N/A
David Stewart[3]	0.0	0.0	N/A	7.1	0.0	N/A
All employees						
Median of LSL workforce[5]	2.1	67.8	5.2	4.8	N/A	30.0

Notes on percentage change in Directors' remuneration:

1. Simon Embley's fee in 2019 included £21,000 in relation to one-off consultancy services provided to the Group, in addition to his fee as Non Executive Chair. His total fees reduced in 2020, as his Chair fee did not increase and he did not undertake any paid consultancy work for the Group.
2. No bonus payments were made to Executive Directors for 2020, as detailed in the annual bonus section of the report on page 108.

3. David Stewart was appointed as Group Chief Executive Officer on 1 May 2020. Prior to this date, David served as a Non Executive Director on the Board. As David was not an Executive Director prior to 2020, a percentage change figure has not been provided.
4. Gaby Appleton and Darrell Evans were appointed to the Board part way through 2019 and therefore a percentage change from the prior year is not meaningful.
5. The median Full Time Equivalent pay of all employees in the LSL Group and still in employment as at 31 December which year has been provided as an appropriate comparator. The total number of employees in this Group as at 31 December 2020 was 4,361. This excludes employees who joined the business during December 2020 but received their first pay in January 2021. The increase in average earnings of the LSL workforce in 2020 is largely attributable to the majority of the LSL workforce being commission based rather than bonus based, with the former continuing to be paid during 2020 based on individual performances and sales targets being achieved. Increases in average basic salaries amongst the wider workforce have been driven by changes in the workforce demographics and increases in national minimum wages at the most junior levels. The relatively high percentage change figure for employee benefits in 2020 reflects an increase in the median from a relatively low absolute number in 2019 and an increase in employees selecting a flexible benefit as part of the reward package.

Group Chief Executive Officer to Employee Pay Ratio (The Companies (Miscellaneous Reporting) Regulations 2018)

The table below discloses the ratio between the Group Chief Executive Officer's remuneration and the wider LSL workforce in 2020, 2019 and 2018.

Financial year	Method	25th percentile pay ratio	Median pay ratio[1]	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

The 2020 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	£20,176	£29,789	£52,103
Basic salary of employees	£16,782	£22,090	£33,660

Notes on percentage change in Group Chief Executive Officer to Employee Pay Ratio:

1. The Group Chief Executive Officer data used in calculating these ratios is the combined single figure total payable to Ian Crabb and David Stewart for their respective periods served as Group Chief Executive Officer during 2020 and totals £472,146, as stated on page 107.

LSL has chosen Option A (which compares the Company's full time equivalent total remuneration for all UK employees against the Group Chief Executive Officer) as the most appropriate methodology to report the ratios, in line with the recommendation from the UK Government's Department for Business, Energy and Industrial Strategy, and a number of Shareholder representative and proxy-voting bodies.

The ratio above includes all UK-based employees who were employed in any part of the LSL Group as at 31 December 2020. 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 Chief Executive Officer's single figure total remuneration.

In calculating the bonus and commission elements for employees, LSL has used the bonus and commission paid to employees during 2020. In some instances, employees receive bonus or commission payments in arrears. However, due to a number of these elements (for example year end annual bonuses) not being finalised at the time of writing, this Report was written with these elements not being reapportioned to the relevant financial year. In line with the legislation, LSL discloses this variation in methodology. However, it considers that this approach provides a broadly similar outcome to the result if 2020 year end bonuses had been included.

As at 31 December 2020, LSL employed over 4,300 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 95 of this Report. The Remuneration Committee also has responsibility for setting the remuneration of the senior management teams within the LSL Group and reviews and monitors the Group's wider remuneration policies and practices.

The Remuneration Committee notes the reduction in the ratio from 2019 and attributes this to the reduction in the Group Chief Executive Officer's earnings, as he received no bonus payment this year, as well as the slight increase in the average earnings of the wider workforce. The higher average earnings of the LSL workforce is largely attributable to the majority of the LSL workforce being commission based rather than bonus based, with the former continuing to be paid during 2020 based on individual performance and sales targets being achieved.

Increases in average basic salaries amongst the wider workforce have been driven by changes in the workforce demographics and increases in national minimum wages at the most junior levels. The Remuneration Committee believes the remuneration and ratio presented above is representative of the Group Chief Executive Officer's responsibilities and contribution to the Group.

Relative importance of spend on pay

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

	2020 (£m)	2019 (£m)	Change (%)
Staff costs [1]	162.5	194.4	(16.4)
Dividends (excluding any special dividend)	-	4.1	(100.0)
Profit after tax	16.5	13.0	26.9
Adjusted profit after tax [2]	32.8	28.7	14.3

1. See Note 14 to the *Group Financial Statements* for calculation of staff costs
2. See Note 11 to the *Group Financial Statements*

Statement of Shareholder voting

The *Directors' Annual Statement and Report on Remuneration* for 2019 and the new *Directors' Remuneration Policy* were presented to Shareholders at the 2020 AGM on 30 June 2020. The voting outcomes were as follows:

	Annual Statement and Annual Report on Remuneration		Directors' Remuneration Policy	
Votes cast in favour	80,981,903	97.90%	80,357,149	97.14%
Votes cast against	1,737,813	2.10%	2,362,567	2.86%
Total votes cast	82,719,716	100%	82,719,716	100%
Total votes withheld	2,000	-	2,000	-

Remuneration Committee

Role and membership

Details of the Remuneration Committee's composition and responsibilities are set out in the *Corporate Governance Report* on page 75 of this Report. During 2020, the Remuneration Committee was chaired by Bill Shannon and its other members were Gaby Appleton, Darrell Evans and David Stewart (until 1 May 2020). David Stewart stepped down from the Remuneration Committee on his appointment as Group Chief Executive Officer on 1 May 2020. David Stewart had no involvement in approving the remuneration for his appointment. The terms of reference of the Committee are available from the Company Secretary or LSL's website *(lslps.co.uk)*.

The work of the Remuneration Committee

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

Engagement with stakeholders

During 2020, LSL engaged with Shareholders regarding the proposed new *Remuneration Policy* that was brought forward at the 2020 AGM. This process involved correspondence with all of LSL's largest Shareholders and a series of calls were undertaken to discuss the changes that were being proposed. Shareholder support for the *Remuneration Policy* at the 2020 AGM exceeded 97% and there were no material concerns for the Committee to consider from the AGM voting outcomes.

As set out in the *Employee Engagement Arrangements* and *Corporate Governance* sections of this Report, the Company has a number of different channels for engaging with its workforce. This includes through the designated Non Executive Director for workforce engagement, Darrell Evans, who is also a member of the Remuneration Committee and provides a route for the Remuneration Committee to engage with the wider workforce on remuneration matters.

Policy and operation of the Policy

In determining the *Policy* and its operation, the Remuneration Committee has considered the following six factors which are referred to in the *Code*:

- *Clarity* – the *Policy* is well understood by LSL's Management Team and has been clearly articulated to Shareholders through direct engagement and remuneration reporting. A key responsibility of the Group HR Director and the designated workforce engagement Non Executive Director is to engage with the wider employee base on all our "People Matters" (including remuneration). This engagement is conducted through a series of employee engagement forums and also via LSL's staff survey, the results of which are reviewed annually by the Board.
- *Simplicity* – the Remuneration Committee is mindful of the need to avoid overly complex remuneration structures. The Remuneration Committee's focus is to ensure that the *Policy* and practices are simple and straightforward and that the objectives and deliverables are clear. LSL only operates two incentive plans, an annual bonus and long term incentive. Targets are based on business KPIs and measure performance against them, tracking and rewarding progress toward achieving LSL's 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* – LSL's incentive plans are subject to individual caps, with Share plans also subject to market standard dilution limits. The scenario charts on page 102 illustrate how the rewards potentially receivable by the Executive Directors vary based on performance delivered and share price growth. The Remuneration 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/'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 LSL's purpose, values and strategy by using metrics in both the annual bonus and LTIP that underpin the delivery of LSL's strategies. Employee personal success is directly linked to the success of the Group's clients and business, through the short and long term incentive plans and targets which are operated.

Determining Executive Director remuneration

The Remuneration Committee considers the appropriateness of the Executive Directors' remuneration in the context of:

- overall business performance;
- environmental, governance and social matters;
- wider workforce pay conditions, taking into account workforce policies and practices, as well as the ratio of Group Chief Executive Officer pay to all employee pay; and
- external market data.

This ensures the Executive Directors' remuneration is fair and appropriate for the role, the experience of the individual, their responsibilities and the performance delivered.

In addition, the Remuneration Committee has concluded that in reviewing 2020, it is comfortable that there was an appropriate link between reward and performance. The Remuneration Committee also considered whether there were any relevant environmental, social, and governance matters that it needed to take account of when reviewing the remuneration outcomes and concluded that there are no such factors needed to be taken into account.

The Remuneration Committee also concluded that it is comfortable that the *Policy* operated as intended in 2020 and that no changes to the *Policy* are needed as a result.

Remuneration Committee advisers

The Remuneration Committee took independent advice during the year from Korn Ferry on matters relating to Executive Director and senior manager remuneration. No other services are provided to the Group by Korn Ferry. Korn Ferry was selected and appointed by the Remuneration Committee and provided advice to the Remuneration Committee in relation to the assessment of TSR performance for the LTIP, benchmarking of the senior roles, advice in relation to the 2020 LTIP awards and the disclosures required in the Annual Report and Accounts. Its fees for 2020, which are based on an hourly rate, were £11,521 (ex VAT). Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Remuneration Committee that it adheres in all respects to the terms of this code. The Remuneration Committee considers its advice to be independent and objective.

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

Bill Shannon
Chair of the Remuneration Committee
27 April 2021

Financial Statements

In this section

Independent Auditor's Report

for the year ended 31 December 2020

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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 2020 which comprise:

Group	Parent company
Group Income Statement for the year ended 31 December 2020	Parent Company Balance Sheet as at 31 December 2020
Group Statement of Comprehensive Income for the year ended 31 December 2020	Parent Company Statement of Cash-Flows for the year ended 31 December 2020
Group Balance Sheet as at 31 December 2020	Parent Company Statement of Changes in Equity for the year ended 31 December 2020
Group Statement of Cash-Flows for the year ended 31 December 2020	Related notes 1 to 19 to the financial statements including a summary of significant accounting policies
Group Statement of Changes in Equity for the year ended 31 December 2020	
Related notes 1 to 37 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union 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 are independent of the group 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.

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

Conclusions relating to going concern

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

How we evaluated management's assessment

- We obtained management's going concern assessment, including the cash forecast and covenant calculations for the going concern period through to 30 April 2022 and tested these for arithmetical accuracy. Management has modelled a reasonable worst-case scenario in its cash forecasts and covenant calculations in order to incorporate unexpected changes to the forecasted liquidity of the group.
- We obtained agreements for the Revolving Credit Facility ('RCF') and reviewed the nature of the facility, repayment terms, covenants and attached conditions. We assessed its continued availability to the group through the going concern period and checked completeness of covenants identified by management.
- We challenged the appropriateness of the key assumptions in management's forecasts including revenue growth, by comparing these to year to date performance, industry benchmarks and through consideration of historical forecasting accuracy.
- We challenged management's assessment of a reasonable worst-case scenario, including comparing this to the impact of the restrictions related to the COVID-19 pandemic during periods of lockdown and performing further downside analysis.
- We performed reverse stress testing in order to identify and understand what factors and how severe the downside scenarios would have to be to result in the group utilising all liquidity or breaching the financial covenants during the going concern period. The reverse stress testing shows that before mitigation, EBITDA would have to fall in excess of an independently calculated worst case scenario before any covenant breach or liquidity shortfall.
- We considered the quantum and timing of mitigating factors included in the cash forecasts and covenant calculations and whether these are within the control of the group. The most significant mitigating factor is the suspension of dividend payments which is not reflected in the cash forecasts and covenant calculations described above.
- We assessed the plausibility of management's downside scenarios by corroborating to third party data for indicators of contradictory evidence.
- We reviewed the group's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Our key observations

- The group has net bank debt of £1.6m as at 31 December 2020 and total borrowings of £13.6m. There is significant available liquidity via the RCF to enable the group to continue to meet its liabilities as they fall due through the going concern period. This facility was renewed in February 2021, with a maturity date of May 2024 and has a facility limit of £90m plus a £30m accordion.
- The group initially experienced high levels of disruption in Q2 2020 as a result of COVID-19. The estate agency business was forced to close temporarily during the nationwide lockdown in Q2 2020 and the business also utilised the furlough scheme. However, these short-term impacts were reduced through the second half of 2020 and the group has returned to pre-COVID-19 performance.

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 a period of twelve months from when the financial statements are authorised for issue.

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 eight components and audit procedures on specific balances for a further three components. • The components where we performed full or specific audit procedures accounted for 90% of profit before tax excluding exceptional costs, 94% of revenue and 99% of total assets.
Key audit matters	• Risk of inappropriate recognition of revenue (including lapse provisions) • Risk of inappropriate valuation of professional indemnity (PI) provision • Risk of inappropriate valuation of goodwill in relation to Marsh & Parsons, Your Move and Reeds Rains • Risk of inappropriate valuation of contingent consideration liabilities
Audit Scope	• We performed an audit of the complete financial information of eight components and audit procedures on specific balances for a further three components. • The components where we performed full or specific audit procedures accounted for 90% of profit before tax excluding exceptional costs, 94% of revenue and 99% of total assets.
Materiality	• Overall group materiality of £1.4m which represents 5% of Profit before tax excluding exceptional costs.

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 and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

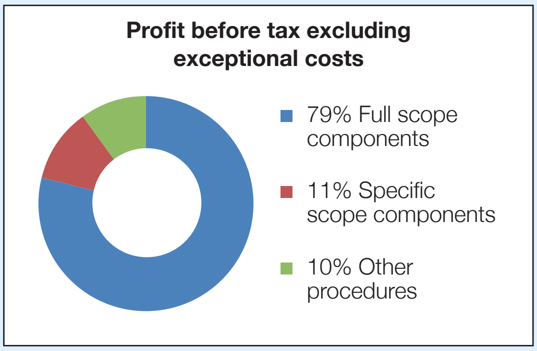
In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 20 trading components of the group, we selected 11 components covering entities within the UK, which represent the principal business units within the group.

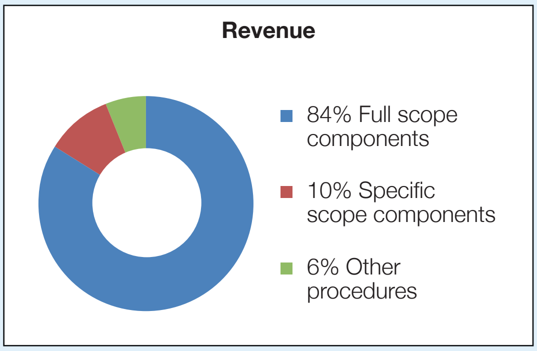
Of the 11 components selected, we performed an audit of the complete financial information of 8 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 3 components ("specific scope components"), we performed audit procedures on specific 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.

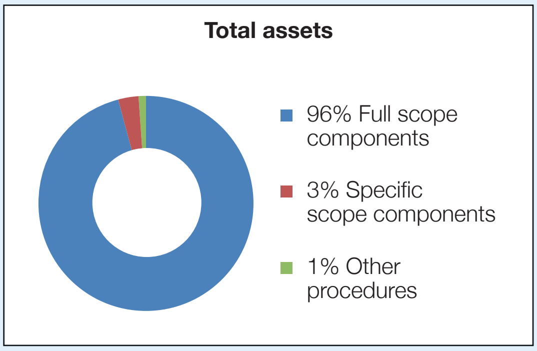
The trading components where we performed audit procedures accounted for 90% (2019: 93%) of the group's profit before tax excluding exceptional costs, 94% (2019: 94%) of the group's revenue and 99% (2019: 98%) of the group's total assets. For the current year, the full scope components contributed 79% (2019: 81%) of the group's profit before tax excluding exceptional costs, 84% (2019: 84%) of the group's revenue and 96% (2019: 94%) of the group's total assets. The specific scope components contributed 11% (2019: 12%) of the group's profit before tax excluding exceptional costs, 10% (2019: 10%) of the group's revenue and 3% (2019: 4%) of the group's total assets. The audit scope of these 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 9 components that together represent 10% of the group's profit before tax excluding exceptional costs, none are individually greater than 6% of the group's profit before tax excluding exceptional costs. For these components, we performed other procedures, including analytical review, review of internal audit reports, review of minutes of board meetings, testing of consolidation journals and intercompany eliminations and review of entity level controls to respond to any potential risks of material misstatement to the group financial statements.

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







Involvement with component teams
All audit work performed for the purposes of the audit was undertaken by the group audit team.

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 (including valuation of lapse provisions) *Refer to the Audit and Risk Committee Report (page 79); Accounting policies (page 137); and Note 3 of the group financial statements.* The group has reported revenues of £266.7m (2019: £311.1m). 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 measurement of 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 given the nature of the group's services as follows: • Inappropriate cut-off of revenue at period end; and • Inappropriate measurement of the reduction to revenue recorded for expected clawback of commissions on lapsed insurance policies. There is no change in risk profile in the current year.	At each full and specific scope audit location 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 lapse provisions; • We performed cut-off testing for the period before and after the year end with reference to underlying contracts and evidence of Management's assessment of the point of revenue recognition; • We performed transactional testing and data analysis procedures to assess the recognition of revenue throughout the year. Where items did not follow the expected transaction flow, we investigated outliers by obtaining third party evidence. For the lapse provision; • we tested the underlying calculations for arithmetical accuracy and consistency across the group; • We tested the integrity of the data underpinning management's assumptions in the lapse provision model by testing a sample of historic lapses to third party evidence. We also performed review procedures in nine locations which covered a further 6% of the group's revenue. This consisted of analytical procedures over material movements in the Income Statement and Balance Sheet.	We have not identified any evidence of material misstatement in the revenue recognised in the year. The methodology for calculating the lapse provisions was applied consistently across the relevant entities and we have no adverse findings to report in respect of the lapse provisions held at 31 December 2020.

Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
Risk of inappropriate valuation of professional indemnity (PI) provision *Refer to the Audit and Risk Committee Report (page 79); Accounting policies (page 137); and Note 25 of the group financial statements.* The Group Balance Sheet contains a £7.0m (2019: £8.2m) provision for professional indemnity liabilities. The risk was one of the most significant assessed risks of material misstatement due to the significant judgement required to value the provision, and the sensitivity of the valuation to assumptions made by management. In the current year £1.2m has been provided through underlying trading results. In addition, a release of part of the provision which was initially created through exceptional items has generated a £0.7m exceptional gain recognised in the Income Statement. There is no change in the risk profile of the provision for professional indemnity liabilities in the current year.	We performed the following procedures providing full coverage over the professional indemnity provision: • We performed walkthroughs of each material element of the provision and assessed the design effectiveness of key controls; • We re-performed management's calculations, tracing a sample of claims to source documentation. This included testing the completeness of the database used to track claims as well as the accuracy of the data included; • We compared these calculations to our expectations which we build based on changes in the profile of claims and the settlements in the year, investigating and corroborating any variances above our testing threshold; • We corroborated to third party evidence key assumptions in relation to the incidence of claims, the propensity for claims to result in financial loss and the resultant loss per claim used by management and assessed whether these were appropriate; • We considered the current level of claims and the historical profile of claims to corroborate management's assumptions relating to how the level of claims will change over time, thereby assessing if the provision held is within the acceptable range of possible outcomes; • We tested a sample of payments for settled claims to bank statements and compared the post year-end settlements to management's estimates in order to assess management's accuracy in estimating claim costs; • We inquired with legal counsel for a sample of claims, to understand the current legal assessment of each case; • We assessed the appropriateness of the classification of the provision movements within the Income Statement; • We considered the impact of COVID-19 and the effect of the increase in remote valuations on the valuation of the provision; • We reviewed the disclosures in respect of the nature and movements of the provision included within the financial statements for completeness and compliance with IAS 37. In addition, we reviewed the disclosure required by IAS 1 of the sensitivity of the carrying amount of the provision to changes in key estimates.	We conclude that the provision for professional indemnity liabilities is stated in accordance with IAS 37 and the estimate is within an acceptable range after considering the audit adjustments proposed.

Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
Risk of inappropriate valuation of goodwill in relation to Marsh & Parsons, Your Move and Reeds Rains *Refer to the Audit and Risk Committee Report (page 79); Accounting policies (page 137); and Note 16 of the group financial statements.* The carrying value of goodwill on the Group Balance Sheet is £159.9m (2019: £159.9m). Of this amount £40.3m relates to Marsh & Parsons, £41.9m relates to Your Move and £16.9m relates to Reeds Rains. The valuation of goodwill for these three cash generating units ('CGUs') was one of the most significant assessed risks of material misstatement due to the high level of estimation uncertainty inherent in the impairment review, particularly in assessing the future performance of the CGUs and the appropriate discount rate to apply in calculating the 'value in use' of the CGUs. The level of estimation and judgement required has been further enhanced in the current year due to the impact of the COVID-19 pandemic and the high levels of macroeconomic uncertainty that could have a direct impact on future cash-flows as well as specific assumptions such as discount rates and terminal growth rates. In 2019 certain estate agency CGUs had positive, but a relatively low level of headroom and there is a risk that this headroom was further eroded in 2020 due to changes in the economic outlook. As such, this risk has been allocated to entities with a lower percentage of headroom in 2020, being Marsh & Parsons, Your Move and Reeds Rains.	We challenged management's assumptions used in its models for assessing the recoverability of the carrying value of goodwill. We did this by focusing on the appropriateness of the CGU identification, the methodology applied to estimate the value in use, discount rates and forecast cash-flows. Specifically: • We evaluated whether the CGUs identified are the lowest level at which management monitors goodwill consistent with the requirements of IAS 36; • We assessed the methodology applied in the value in use calculations as compared to the requirements of IAS 36 and tested the mathematical accuracy of management's model; • We confirmed that the base cash-flow forecasts prior to group overlay adjustments are consistent with information approved by the Board. We assessed the appropriateness of the use of these forecasts in light of the historical accuracy of management's forecasts and current economic conditions; • We challenged management on the group overlay adjustments made to the Board-approved forecasts; • We obtained an understanding of, and assessed the basis for, key underlying assumptions for the three-year forecast which forms the basis of the calculations; • We engaged our internal valuation specialists to assess the appropriateness of the discount rates applied within the model for each CGU, including comparison to economic and industry data where appropriate; • We considered the appropriateness of the long-term growth rate applied within the model by comparing the growth rate to external sources; • We challenged whether reasonably possible changes in assumptions could lead to a different conclusion in respect of the carrying value of goodwill; • We performed sensitivity analyses by stress testing key assumptions in the model with downside scenarios to understand the parameters that, should they arise, could lead to a different conclusion in respect of the carrying value of goodwill.	We agree with management's conclusion that no impairment of goodwill is required in the current year. The sensitivity disclosures in Note 16 of the group financial statements adequately reflects that a reasonably possible change in certain key assumptions could lead to a different conclusion in respect of the recoverability of goodwill in respect of Marsh and Parsons.

Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
	• We performed reverse stress testing analysis to determine the sensitivity of the cashflows to the compound annual growth rate; • We considered the adequacy of the disclosure in the group financial statements in respect of the key assumptions where a reasonably possible change could give rise to an impairment.	
Risk of inappropriate valuation of contingent consideration liabilities *Refer to the Audit and Risk Committee Report (page 79); Accounting policies (page 137); and Note 24 of the group financial statements (page 171).* The Group Balance Sheet contains a £5.4m (2019: £5.8m) provision for contingent consideration that arose from acquisitions in previous periods. The risk was one of the most significant assessed risks of material misstatement due to estimation uncertainty, particularly in relation to expected exit dates and estimations of future cash-flows. There is no change in the risk profile of contingent consideration in the current year.	We have performed the following procedures across two full scope locations that have contingent consideration balances that are above our testing threshold: • We assessed the cash-flow forecasts used in the measurement of the liability, corroborating key assumptions to internal and external information where available; • We confirmed that the cash-flow forecasts used in the measurement of the liability are consistent with information approved by the Board and evaluated the appropriateness of the use of these forecasts in light of the historical accuracy of management's forecasting; • We assessed the mathematical accuracy of management's model and the methodology applied in the calculations through comparison to the Sales Purchase Agreements; • We traced settlement payments made in the year to bank statements, in order to confirm that the relevant earn-out obligations had been extinguished; • We assessed the appropriateness of the discount rate used in calculating the liability, by considering the risks associated to the liability.	We conclude that the contingent consideration liabilities are appropriately valued. The unwinding of the discount is appropriately calculated and presented within the Group Income Statement.

In the prior year, our auditor's report included a key audit matter in relation to inappropriate valuation of goodwill for all CGUs. In the current year, this risk has been updated to reflect only those CGUs with the lowest headroom and therefore at most risk of impairment.

Our application of materiality

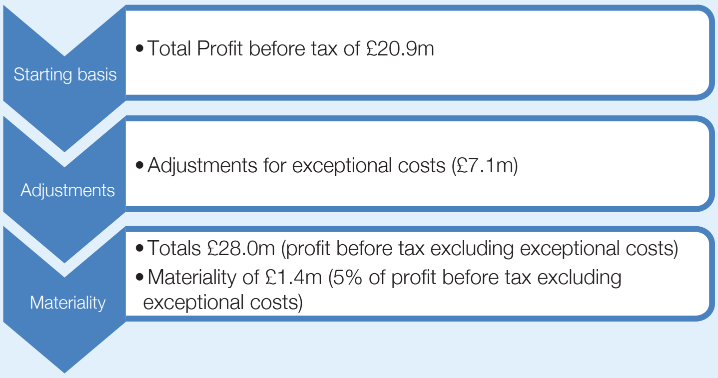
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

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

We determined materiality for the group to be £1.4 million (2019: £1.5 million), which is 5% (2019: 5%) of Profit before tax excluding exceptional costs. We believe that Profit before tax excluding exceptional costs provides us with the most relevant performance measure to the stakeholders of the entity.

We determined materiality for the Parent Company to be £1.1 million (2019: £1.0 million), which is 1% (2019: 1%) of equity.



During the course of our audit, we reassessed initial materiality with the only change in the final materiality from our original assessment at planning being to reflect the actual reported performance of the group in the year. This resulted in a materiality of £1.4m compared with our initial assessment at the planning stage of £1.3m. This has not significantly impacted the extent of our planned audit procedures.

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% (2019: 50%) of our planning materiality, namely £0.7m (2019: £0.8m). We have set performance materiality at this percentage due to the nature of the business being a decentralised group in addition to uncertainty in the market.

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 £0.4m (2019: £0.1m to £0.4m).

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

We agreed with the Audit & Risk Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2019: £0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information
The other information comprises the information included in the annual report [set out on pages 2-119], 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 there is 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
The Listing Rules require us to review 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.

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 58];
- 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 42];
- Directors' statement on fair, balanced and understandable [set out on page 62];
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks [set out on page 62];
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems [set out on pages 35 to 42]; and;
- The section describing the work of the Audit & Risk Committee [set out on pages 79 to 91]

Responsibilities of directors
As explained more fully in the directors' responsibilities statement [set out on page 57], 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 (IFRS, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the UK.
- We understood how LSL Property Services plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit and Risk Committee and attendance at all meetings of the Audit and 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 parts of the business 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 testing 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 business; enquiries of Legal Counsel, group management, internal audit, subsidiary management at all full and specific scope components; and focused testing, as referred to in the key audit matters section 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.

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

Other matters we are required to address
- Following the recommendation from the Audit & Risk Committee, we were appointed by the company on 30 June 2020 to audit the financial statements for the year ending 31 December 2020.
- The period of total uninterrupted engagement including previous renewals and reappointments is 20 years, covering the years ending 31 December 2001 to 31 December 2020. LSL Property Services plc listed on the London Stock Exchange in 2006.
- 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.
- 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.

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

27 April 2021

Group Income Statement

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Continuing Operations:			
Revenue	3	**266,742**	311,073
Operating expenditure:			
Employee and subcontractor costs	14	**(162,455)**	(194,207)
Establishment costs		**(9,528)**	(10,367)
Depreciation on property, plant and equipment	17	**(13,929)**	(14,842)
Other operating costs		**(46,938)**	(56,098)
		(232,850)	(275,514)
Other operating income	3	**783**	887
Gain on sale of property, plant and equipment		**15**	148
Income from joint ventures and associates	19	**493**	441
Share-based payments	14	**(18)**	(312)
Amortisation of intangible assets	16	**(5,395)**	(5,786)
Exceptional gains	8	**674**	2,487
Exceptional costs	8	**(7,076)**	(15,730)
Contingent consideration	24	**544**	2,054
Group operating profit	5	**23,912**	19,748
Finance costs	6	**(3,134)**	(3,744)
Finance income	7	**144**	10
Net financial costs		**(2,990)**	(3,734)
Profit before tax		**20,922**	16,014
Taxation charge	15	**(4,596)**	(3,045)
Profit for the year		**16,326**	12,969
Earnings per Share expressed in pence per Share:			
Basic	11	**15.9**	12.6
Diluted	11	**15.7**	12.6

The Notes on pages 137 to 188 form part of these Financial Statements.

Group Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Profit for the year		**16,326**	12,969
Items not to be reclassified to profit and loss in subsequent periods:			
Revaluation of financial assets not recycled through Income Statement	18	–	(3,558)
		–	(3,558)
Total other comprehensive loss for the year, net of tax		–	(3,558)
Total comprehensive income for the year, net of tax		**16,326**	9,411

The Notes on pages 137 to 188 form part of these Financial Statements.

Group Balance Sheet

as at 31 December 2020

Company no 05114014

	Note	2020 £'000	2019 £'000
Non-current assets			
Goodwill	16	**159,863**	159,863
Other intangible assets	16	**27,894**	30,906
Property, plant and equipment	17	**42,741**	49,570
Financial assets	18	**9,561**	9,326
Investments in joint ventures and associates	19	**11,406**	12,958
Contract assets	20	**433**	686
Total non-current assets		**251,898**	263,309
Current assets			
Trade and other receivables	21	**28,438**	34,391
Contract assets	20	**253**	253
Current tax assets		**184**	–
Cash and cash equivalents	22	**11,443**	–
Total current assets		**40,318**	34,644
Total assets		**292,216**	297,953
Current liabilities			
Financial liabilities	24	**(12,466)**	(11,113)
Trade and other payables	23	**(72,936)**	(60,007)
Current tax liabilities		**–**	(1,209)
Provisions for liabilities	25	**(2,998)**	(3,575)
Total current liabilities		**(88,400)**	(75,904)
Non-current liabilities			
Financial liabilities	24	**(40,060)**	(73,951)
Deferred tax liability	15	**(1,822)**	(1,805)
Provisions for liabilities	25	**(4,180)**	(5,077)
Total non-current liabilities		**(46,062)**	(80,833)
Total liabilities		**(134,462)**	(156,737)
Net assets		**157,754**	141,216
Equity			
Share capital	27	**210**	208
Share premium account	28	**5,629**	5,629
Share-based payment reserve	28	**3,942**	4,429
Shares held by EBT	2, 28	**(5,012)**	(5,224)
Fair value reserve	28	**(13,584)**	(13,584)
Retained earnings		**166,569**	149,758
Total equity		**157,754**	141,216

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The Notes on pages 137 to 188 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
27 April 2021

Adam Castleton
Group Chief Financial Officer
27 April 2021

Group Statement of Cash-Flows

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Profit before tax		**20,922**	16,014
Adjustments for:			
Exceptional operating items and contingent consideration		**5,857**	11,189
Depreciation of tangible assets		**13,929**	14,842
Amortisation of intangible assets	16	**5,395**	5,786
Share-based payments	14	**18**	312
Profit on disposal of fixed assets	9	**(15)**	(148)
Profit from joint ventures	19	**(493)**	(441)
Finance income	7	**(144)**	(10)
Finance costs	6	**3,134**	3,744
Operating cash-flows before movements in working capital		**48,603**	51,288
Movements in working capital			
Decrease in trade and other receivables		**8,553**	5,462
Increase/(decrease) in trade and other payables		**13,606**	(6,181)
Decrease in provisions		**(1,474)**	(3,908)
		20,685	(4,627)
Cash generated from operations		69,288	46,661
Interest paid		**(2,581)**	(3,289)
Income taxes paid		**(6,093)**	(5,355)
Exceptional costs paid		**(7,311)**	(8,799)
Net cash generated from operating activities		**53,303**	29,218
Cash-flows used in investing activities			
Acquisitions of subsidiaries and other businesses	30	**(293)**	(2,711)
Payment of contingent consideration		**(169)**	(7,890)
Investment in financial assets	18	**(418)**	(2,783)
Cash received on sale of financial assets	18	**–**	1,765
Purchase of property, plant and equipment and intangible assets	16, 17	**(4,050)**	(4,892)
Proceeds from sale of property, plant and equipment	17	138	367
Net cash expended on investing activities		**(4,792)**	(16,144)
Cash-flows used in financing activities			
(Repayment)/drawdown of loans	13	**(28,883)**	7,383
Payment of deferred consideration		**(80)**	(2,009)
Payment of lease liabilities		**(8,304)**	(9,761)
Receipt of lease income		**23**	76
Proceeds from exercise of share options		**176**	26
Dividends paid	12	**–**	(11,194)
Net cash expended in financing activities		**(37,068)**	(15,479)
Net increase/(decrease) in cash and cash equivalents		**11,443**	(2,405)
Cash and cash equivalents at the end of the year		**11,443**	–

The Notes on pages 137 to 188 form part of these Financial Statements.

Group Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Shares held by EBT £'000	Fair value reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	**208**	**5,629**	**4,429**	**(5,224)**	**(13,584)**	**149,758**	**141,216**
Profit for the year	–	–	–	–	–	16,326	**16,326**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**16,326**	**16,326**
Issued share capital in the year	2	–	–	–	–	–	**2**
Exercise of options	–	–	(80)	212	–	44	**176**
Share-based payments	–	–	(423)	–	–	441	**18**
Tax on share-based payments	–	–	16	–	–	–	**16**
At 31 December 2020	**210**	**5,629**	**3,942**	**(5,012)**	**(13,584)**	**166,569**	**157,754**

During the year ended 31 December 2020, the Trust acquired 167,083 LSL Shares. During the period, 60,565 share options were exercised relating to LSL's various share option schemes resulting in the Shares being sold by the Trust. LSL received £176,000 on exercise of these options.

The Notes on pages 137 to 188 form part of these Financial Statements.

for the year ended 31 December 2019

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Shares held by EBT £'000	Fair value reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019	**208**	**5,629**	**4,129**	**(5,261)**	**(11,727)**	**149,615**	**142,593**
Adjustment on initial application of IFRS 16	–	–	–	–	–	68	68
Revised opening balance at 1 January 2019	208	5,629	4,129	(5,261)	(11,727)	149,683	142,661
Revaluation of financial assets	–	–	–	–	(3,558)	–	(3,558)
Disposal of financial assets	–	–	–	–	1,701	(1,701)	–
Profit for the year	–	–	–	–	–	12,969	12,969
Total comprehensive (loss)/income for the year	–	–	–	–	(1,857)	11,268	9,411
Exercise of options	–	–	(12)	37	–	1	26
Share-based payments	–	–	312	–	–	–	312
Dividend payment	–	–	–	–	–	(11,194)	(11,194)
At 31 December 2019	**208**	**5,629**	**4,429**	**(5,224)**	**(13,584)**	**149,758**	**141,216**

During the year ended 31 December 2019, the Trust acquired nil LSL Shares. During the period, 10,672 share options were exercised relating to LSL's various share option schemes resulting in the Shares being sold by the Trust. LSL received £26,000 on exercise of these options.

The Notes on pages 137 to 188 form part of these Financial Statements.

Notes to the Group Financial Statements

for the year ended 31 December 2020

1. Authorisation of Financial Statements and statement of compliance with IFRS

The Group Financial Statements of LSL and its subsidiaries for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 27 April 2021 and the balance sheet was signed on the Board's behalf by David Stewart, Group Chief Executive Officer and Adam Castleton, Group Chief Financial Officer. LSL is a listed company, listed in London, incorporated and domiciled in England and the Group operates a network of financial services, surveying and valuation services and estate agency businesses.

The Group's Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

2. Accounting policies

Basis of preparation of financial information

The consolidated Financial Statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

The Group Financial Statements have been prepared on a going concern basis and on a historical cost basis, except for certain debt and equity financial assets that have been measured at fair value.

The Directors have considered the Group's current and future prospects, risks and uncertainties set out in the risk management objectives and policies, and its availability of financing, and are satisfied that the Group can continue to pay its liabilities as they fall due for the period to 30 April 2022. For this reason, the Directors continue to adopt the going concern basis of preparation for these Financial Statements. Further detailed information is provided in the going concern statement in the Directors' Report.

The accounting policies which follow set out those significant policies which apply in preparing the Financial Statements for the year ended 31 December 2020. 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.

Judgements and estimates

The preparation of financial information in conformity with IFRS as adopted by European Union, requires the Management Team to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

Areas of judgement that have the most significant effect on the amounts recognised in the consolidated Financial Statements are:

Deferred tax

The Group recognises deferred tax assets on all applicable temporary differences where it is probable that future taxable profits will be available for utilisation. This requires the Management Team 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. Deferred tax liabilities are provided for in full.

Exceptional items

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.

2. Accounting policies (continued)

Estimates

The key assumptions affected by future uncertainty that have significant risks of causing material adjustment to the carrying value of assets and liabilities within the next financial year are:

Lapse provision

Certain subsidiaries sell life assurance products which are cancellable without a notice period, and if cancelled within a set period require that a portion of the commission earned must be repaid. The lapse provision is recognised as a reduction in revenue which is based on historic lapses which have occurred. Details of the assumptions applied to lapse provisions are disclosed in Note 23 to these Financial Statements.

Professional Indemnity (PI) claims

Details of the assumptions applied to PI claims areas are disclosed in Notes 8 and 25 to these Financial Statements. A sensitivity calculation which illustrates the impact of different assumptions on the required PI Costs provision is included in Note 25.

Valuation of financial assets

The Group owns non-controlling interests in four unlisted entities Yopa, Vibrant Energy Matters, Global Property Ventures Limited and NBC Property Master, in addition to a convertible loan note, which is held in Mortgage Gym. In accordance with the accounting standards, these investments are held at fair value and significant judgement is required in assessing this. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value of equity financial assets that are not traded in the open market are valued in accordance with Level 3 of the fair value hierarchy and Management Team use all relevant and up to date information (including cash-flow forecasts and financial statements) to arrive at their judgement. Where appropriate a range of potential outcomes is considered in reaching a conclusion. Further details of the methodology used are disclosed in Note 18 to these Financial Statements. A sensitivity calculation which shows the impact of changes in assumption is shown in Note 32.

Impairment of intangible assets

The Group determines whether indefinite life intangible assets (including goodwill) are impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash-flows and choosing a suitable discount rate (see Note 16 to these Financial Statements).

Contingent consideration

The Group has acquired a number of businesses over recent years. With regard to a number of these businesses, the Group has put and call options to purchase the remaining interest in these businesses at some point in the future. In accordance with the accounting standards, estimates have been made with regard to the future profitability of these acquisitions and a provision for the cost of acquiring these interests has been recognised. The provisions are disclosed in Note 24 to these Financial Statements. A sensitivity calculation which shows the impact of changes in assumption is shown in Note 32 to these Financial Statements.

Income tax

The Group will pay income taxes based on the tax computations of the subsidiary entities. While the outcome of these tax computations cannot be determined with certainty until the completion of subsidiary accounts, the Management Team's estimates of income taxes are used to determine the tax charges and provisions carried by the Group. The estimated tax charges are calculated having taken consideration of the tax impact of significant transactions within the Group during the respective accounting period, as well as having an existing knowledge of the tax profile of the Group's recurring trading activities.

Basis of consolidation

The consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31 December 2020.

2. Accounting policies (continued)

Subsidiaries

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Specifically, the Group controls an entity if, and only if, the Group has:

- power over the entity (i.e. existing rights that give it the current ability to direct the relevant activities of the entity);
- exposure, or rights, to variable returns from its involvement with the entity; and
- the ability to use its power over the entity to affect its returns.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Interest in joint ventures and associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture or associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture or associate since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is not tested for impairment individually.

The Income Statement reflects the Group's share of the results of operations of the joint venture or associate. In addition, when there has been a change recognised directly in the equity of the joint venture or associate, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture or associate are eliminated to the extent of the interest in the joint venture or associate.

The aggregate of the Group's share of profit or loss of a joint venture or associate is shown on the face of the Income Statement within Group operating profit, and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture or associate.

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint ventures or associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value.

Upon loss of joint control and significant influence over the joint venture or associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

2. Accounting policies (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Income Statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Where a put and call option is transacted over a non-controlling interest independently of a business combination, the present value of the exercise price of the put and call option is recorded as a liability with a debit to equity. Subsequent movements in the assessment of the exercise price are taken to profit and loss. If the put option lapses, the liability is derecognised with a corresponding adjustment to equity.

If the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in the Income Statement.

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 Directors. The Board reviews the Group's operations and financial position as Financial Services, Surveying and Valuation Services and Estate Agency, and therefore considers that it has three operating segments. The information presented to the Directors directly reflects the Group Underlying Operating Profit as defined in the alternate performance measures 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.

Goodwill and intangible assets

Goodwill

Goodwill represents the excess of a cost of a business combination over the Group's interest in the fair value of identifiable assets under IFRS 3 Business Combinations.

Goodwill is capitalised as an intangible asset, with any impairment in carrying value being charged to the Group Income Statement. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Other intangible assets

Intangible assets other than goodwill acquired by the Group comprise brand names, lettings contracts and in-house software and 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 profit or loss in the period in which the expenditure is incurred. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

The useful lives of intangible assets are assessed as either finite or indefinite.

Brand names are not amortised as the Directors are of the opinion that they each have an indefinite useful life. This is based on the expectation of the Directors 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 and 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.

2. Accounting policies (continued)

Lettings contracts and in-house software are amortised over their useful economic life. The useful economic life, amortisation method and impairment assessments are performed annually. The expected useful life of lettings contracts and in-house software is as follows:

Lettings contracts	– five years
In-house software	– between three and five years
Order book	– 12 months
Franchise agreements	– ten years

Impairment

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. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash-flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash generating unit's recoverable amount.

Non-GAAP measures/Alternative Performance Measures (APM)

In the analysis of the Group's financial performance, LSL reports a number of APMs that are designed to assist with the understanding of the underlying performance of the Group. The Group seeks to present a measure of underlying performance which is not impacted by the inconsistency in profile of exceptional gains and exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments. These measures are not defined under IFRS and, as a result, do not comply with Generally Accepted Accounting Practice (known as non-GAAP measures) and may not be directly comparable with other companies' non-GAAP measures. They are not designed to be a substitute for any of the IFRS measures of performance. The principal APMs used within the consolidated Financial Statements and the location of the reconciliations to equivalent IFRS measures are:

- Group Underlying Operating Profit (reconciled in Note 5 to these Financial Statements)
- Adjusted Basic EPS (reconciled in Note 11 to these Financial Statements)
- Adjusted Diluted EPS (reconciled in Note 11 to these Financial Statements)
- Group Adjusted EBITDA (reconciled in Note 5 to these Financial Statements)

The amortisation of intangible assets fluctuates due to irregular investments and unknown timing of acquisitions. These costs are not representative of the underlying costs of the business, and are therefore excluded from adjusted earnings.

The Directors consider that these adjusted measures give a better and more consistent indication of the Group's underlying performance; these measures form part of management's internal financial review and are contained within the monthly management information reports reviewed by the Board.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided to write off cost less the estimated residual value of property, plant and equipment by equal annual instalments over their estimated useful economic lives as follows:

Office equipment, fixtures and fittings	– over three to seven years
Computer equipment	– over three to four years
Motor vehicles	– over three to four years
Leasehold improvements	– over the shorter of the lease term or ten years
Freehold and long leasehold property	– over 50 years or the lease term whichever is shorter

2. Accounting policies (continued)

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.

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.

Income taxes

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

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

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

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

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

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

Share-based payment transactions

Equity-settled transactions

The equity share option programmes allow 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 the options granted is measured using the Black Scholes model, taking into account the terms and conditions (including market and non-vesting conditions) upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-market vested condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 11 to these Financial Statements).

2. Accounting policies (continued)

Shares held by EBT

The Group has an employee share scheme (ESOT) for the granting of LSL Shares to Executive Directors and selected senior employees and an employee share incentive plan (Trust). Shares in LSL held by the ESOT and the 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 EPS.

Leases

Leases are defined as a contract which gives the right to use an asset for a period of time in exchange for consideration. As a lessee, the Group recognises three classes of leases on this basis:

- Property leases.
- Motor vehicle leases.
- Other leases.

Property leases and motor vehicle leases have been recognised on the balance sheet, in financial liabilities, by recognising the future cash-flows of the lease obligation, discounted using the incremental borrowing rate of the Group, adjusted for factors such as swap rates available and the credit risk of the entity entering into the lease.

Corresponding right of use assets have been recognised in the Group balance sheet under property, plant and equipment and have been measured as being equal to the discounted lease liability plus any lease payments made at or before the inception of the lease and initial direct costs, less any lease incentives received. Cash-flows from these leases have been recognised by including the principal portion of the lease payments in cash-flows from financing activities and the interest portion of the lease payment recognised through operating activities.

Other leases are leases for low value items (less than $5,000) or leases whose contract term is less than 12 months. The practical expedient not to recognise right of use assets and lease liabilities for these leases has been utilised by the 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. During the year, the Group utilised the practical expedient to recognise COVID-19 related rent concessions as variable lease payments through the Income Statement without the requirement to reassess the lease liabilities (further details are given in Note 26 to these Financial Statements).

For sub-leases where the Group is an intermediate lessor, the Group has assessed whether the sub-lease is an operating lease or finance lease in respect to the right of use asset generated by the head lease. It has performed this assessment on a lease-by-lease basis. The Group has both finance leases and operating leases based on this assessment, and a sub-lease asset are recognised in financial assets (further details are given in Note 26 to these Financial Statements).

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.

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, when appropriate, the risks specific to the liability.

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 profit or loss, 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.

2. Accounting policies (continued)

The subsequent measurement of financial assets depends on their classification.

The Group's accounting policy for each category of financial instruments is as follows:

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IFRS 9 Financial Instruments and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets designated at fair value through profit and loss
Gains and losses arising from the changes in the fair value of equity investments are recognised through the profit and loss.

Cash and short term deposits
Cash and short term deposits in the balance sheet and cash-flow statement comprise cash at bank and in hand and short term deposits with an original maturity period of three months or less.

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

The expected credit loss model under IFRS 9 is applied to trade and other receivables. The chosen method of recognising the expected credit loss across the Group is the simplified approach allowing a provision matrix to be used, which is based on the expected life of trade receivables and historic default rates. Default being defined as when impaired debts are assessed as uncollectable.

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

Trade payables
Trade payables are stated in the balance sheet at their original invoice value.

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs.

Finance costs comprise interest payable on borrowings calculated at the effective interest rate method and recognised on an accruals basis.

Borrowing costs are recognised as an expense when incurred.

Revenue recognition
Revenue is recognised under IFRS 15. The standard is based on a single model that distinguishes between promises to a customer that are satisfied at a point in time and those that are satisfied over time. Revenue is recognised when control of a good or service transfers to a customer. IFRS 15 focuses on control with risk and rewards as an indicator of control.

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

2. Accounting policies (continued)

Rendering of services

Revenue from the exchange fees in the Residential Sales business is recognised by reference to the legal exchange date of the housing transaction. Revenue from the supply of Surveying and Valuation Services are recognised upon the completion of the professional survey or valuation by the surveyor, and therefore at a point in time. Revenue from Lettings, Asset Management and Conveyancing Services is recognised on completion of the service being provided, and therefore at a point in time. Management Services relating to Lettings and Asset Management are recognised over time using the time basis approach. The costs incurred from obtaining a contract and payable to the customer are capitalised and held under contract assets in the Group balance sheet and amortised into revenue over the contract term.

Interest income

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

Rental income

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

Dividends

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

Exceptional items

An exceptional item is considered to be 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 consider fall into this category are also disclosed within a Note to the Financial Statements (see Note 8 to the Group Financial Statements).

Due to the nature and expected infrequency of these items, separate presentation helps provide a better indication of the Group's underlying business performance. This allows Shareholders to 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.

Government grants

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

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

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

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

New standards and interpretations not applied

The International Accounting Standards Board (IASB) has issued no new standards that are not yet effective that are expected to impact the Financial Statements of the Group.

3. Disaggregation of revenue

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

	Year ended 31 December 2020						
	Financial Services £'000	Surveying and Valuation Services £'000	Residential Sales exchange £'000	Lettings £'000	Asset Management £'000	Other £'000	Total £'000
Timing of revenue recognition							
Services transferred at a point in time	70,845	77,125	48,821	29,211	2,602	7,592	236,196
Services transferred over time	–	–	–	29,390	1,156	–	30,546
Total revenue from contracts with customers	**70,845**	**77,125**	**48,821**	**58,601**	**3,758**	**7,592**	**266,742**

	Year ended 31 December 2019						
	Financial Services £'000	Surveying and Valuation Services £'000	Residential Sales exchange £'000	Lettings £'000	Asset Management £'000	Other £'000	Total £'000
Timing of revenue recognition							
Services transferred at a point in time	83,353	86,358	57,676	37,782	4,311	11,098	280,578
Services transferred over time	–	–	–	29,535	960	–	30,495
Total revenue from contracts with customers	**83,353**	**86,358**	**57,676**	**67,317**	**5,271**	**11,098**	**311,073**

	2020 £'000	2019 £'000
Revenue from services	266,742	311,073
Operating revenue	**266,742**	311,073
Rental income	783	887
Other operating income	**783**	887
Total revenue	**267,525**	311,960

4. Segment analysis of revenue and operating profit

For the year ended 31 December 2020 LSL has reported three operating segments: Financial Services; Surveying and Valuation Services; and Estate Agency:

- The Financial Services segment arranges mortgages for a number of lenders and arranges pure protection and general insurance policies for a panel of insurance companies. Embrace Financial Services and First2Protect, subsidiaries within the Financial Services Division, make a commercially agreed introducers fee to the Estate Agency Division.
- The Surveying and Valuation Services segment provides valuations and professional surveying services of residential properties to various lenders and individual customers.
- The Estate Agency segment provides services related to the sale and letting of residential properties. It operates a network of high street branches. As part of this process, the Estate Agency Division also provides marketing and arranges conveyancing services. In addition, it provides repossession and asset management services to a range of lenders. Embrace Financial Services and First2Protect, subsidiaries within the Financial Services Division, make a commercially agreed introducers fee to the Estate Agency Division.

Operating segments

Each reportable segment has various products and services and the revenue from these products and services are disclosed on pages 15 to 27 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 business units 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 incomes) 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 2020 and financial year ended 31 December 2019 respectively.

4. Segment analysis of revenue and operating profit (continued)

Year ended 31 December 2020

	Financial Services £'000	Surveying and Valuation Services £'000	Estate Agency £'000	Unallocated £'000	Total £'000
Income Statement information					
Revenue from external customers	70,845	77,125	118,772	–	**266,742**
Introducers fee	(9,889)	–	9,889	–	**–**
Total revenue	60,956	77,125	128,661	–	**266,742**
Segmental result:					
– Group Underlying Operating Profit pre COVID-19 costs	13,451	17,871	15,554	(5,335)	**41,541**
– Group Underlying Operating Profit post COVID-19 costs	12,287	16,193	12,071	(5,368)	**35,183**
– Operating Profit	10,679	14,680	3,802	(5,249)	**23,912**
Finance income					**144**
Finance costs					**(3,134)**
Profit before tax					**20,922**
Taxation					**(4,596)**
Profit for the year					**16,326**
Balance sheet information					
Segment assets – intangible	17,109	11,280	159,367	–	**187,756**
Segment assets – other	7,935	13,571	68,993	13,961	**104,460**
Total segment assets	25,044	24,851	228,360	13,961	**292,216**
Total segment liabilities	(26,010)	(27,398)	(63,640)	(17,414)	**(134,462)**
Net assets/(liabilities)	(966)	(2,547)	164,720	(3,453)	**157,754**
Other segment items					
Capital expenditure including intangible assets	(694)	(154)	(3,202)	–	**(4,050)**
Depreciation	(757)	(2,173)	(10,999)	–	**(13,929)**
Amortisation of intangible assets	(1,507)	(459)	(3,429)	–	**(5,395)**
Exceptional gains	–	674	–	–	**674**
Exceptional costs	(1,992)	(1,992)	(319)	(2,773)	**(7,076)**
Share of results in joint ventures and associate	(821)	–	1,314	–	**493**
PI Costs provision	–	(7,042)	–	–	**(7,042)**
Onerous leases provision	–	–	(136)	–	**(136)**
Share-based payment	(100)	97	(135)	120	**(18)**

The joint venture interests of the Group are recorded in the Estate Agency segment, with the associate interest recorded in the Financial Services segment.

Unallocated net liabilities comprise plant and equipment £13,000, other assets £2,505,000, cash £11,443,000, accruals and other payables £(2,592,000), current and deferred tax liabilities £(1,822,000) and revolving credit facility overdraft £(13,000,000). Unallocated result comprises costs relating to the Parent Company.

4. Segment analysis of revenue and operating profit (continued)

Year ended 31 December 2019

	Financial Services £'000	Surveying and Valuation Services £'000	Estate Agency £'000	Unallocated £'000	Total £'000
Income Statement information					
Revenue from external customers	83,353	86,358	141,362	–	311,073
Introducers fee	(13,552)	–	13,552	–	–
Total revenue	69,801	86,358	154,914	–	311,073
Segmental result:					
– Group Underlying Operating Profit	11,642	16,343	14,453	(5,403)	37,035
– Operating Profit	10,022	17,450	(2,206)	(5,518)	19,748
Finance income					10
Finance costs					(3,744)
Profit before tax					16,014
Taxation					(3,045)
Profit for the year					12,969
Balance sheet information					
Segment assets – intangible	18,088	11,739	160,942	–	190,769
Segment assets – other	9,078	14,822	81,934	1,350	107,184
Total segment assets	27,166	26,561	242,876	1,350	297,953
Total segment liabilities	(25,895)	(25,020)	(58,771)	(47,051)	(156,737)
Net assets/(liabilities)	1,271	1,541	184,105	(45,701)	141,216
Other segment items					
Capital expenditure including intangible assets	(1,303)	(198)	(3,391)	–	(4,892)
Depreciation	(268)	(427)	(14,147)	–	(14,842)
Amortisation of intangible assets	(1,432)	(459)	(3,895)	–	(5,786)
Exceptional gains	–	2,487	–	–	2,487
Exceptional costs	(59)	(943)	(14,218)	(510)	(15,730)
Share of results in joint ventures and associate	(920)	–	1,361	–	441
PI Costs provision	–	(8,212)	–	–	(8,212)
Onerous leases provision	–	–	(440)	–	(440)
Share-based payment	(128)	22	(91)	(115)	(312)

The joint venture interests of the Group are recorded in the Estate Agency segment, with the associate interest recorded in the Financial Services segment.

Unallocated net liabilities comprise plant and equipment £50,000, other assets £1,300,000, lease liabilities £(34,000), 12% loan notes £(66,000), bank overdraft £(883,000), accruals £(1,916,000), deferred and current tax liabilities £(3,152,000), and revolving credit facility overdraft £(41,000,000). Unallocated result comprises costs relating to the Parent Company.

5. APMs (Adjusted performance measures)

In addition to the various performance measures defined under IFRS, the Group reports a number of alternative performance measures that are designed to assist with the understanding of the underlying performance of the Group. The Group seeks to present a measure of underlying performance which is not impacted by the inconsistency in profile of exceptional gains and exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments. Share-based payments are excluded from the underlying performance due to the fluctuations that can impact the charge, such as lapses and the level of annual grants.

Costs relating to COVID-19 have been separately identified and excluded from Group Underlying Operating Profit as the Directors consider that these adjusted measures shown above give a better and more consistent indication of the Group's underlying performance. The most significant areas of these costs are employee related, which includes a £1.3m holiday accrual arising as a result of furloughed staff and the update to Government regulation on carrying over annual leave. Redundancy costs of £0.8m were incurred as a result of the enforced Government lockdown. Property and other asset costs (depreciation) were incurred during the period of enforced closure of branches following the Government lockdown, with any property grants received in the same period reported in this line to ensure even-handedness in reporting. Similarly, establishment costs include rent, rates and other office costs incurred during the enforced Government lockdown. Other costs relate primarily to protective equipment to ensure the safety and welfare of employees and customers and IT set up costs to enable home working. Group Underlying Operating Profit includes £15.7m of amounts receivable relating to the Coronavirus Job Retention Scheme.

The four adjusted measures reported by the Group are:

- Group Underlying Operating Profit.
- Adjusted Basic EPS.
- Adjusted Diluted EPS.
- Group Adjusted EBITDA.

The Directors consider that these adjusted measures shown above give a better and more consistent indication of the Group's underlying performance. These measures form part of the Management Team's internal financial review and are contained within the monthly management information reports reviewed by the Board.

The calculations of Adjusted Basic and adjusted diluted EPS are given in Note 11 to the consolidated Group Financial Statements and a reconciliation of Group Underlying Operating Profit is shown below:

	Note	2020 £'000	2019 £'000
Group operating profit	4	**23,912**	19,748
Share-based payments		**18**	312
Amortisation of intangible assets		**5,395**	5,786
Exceptional gains	8	**(674)**	(2,487)
Exceptional costs	8	**7,076**	15,730
Contingent consideration (credit)/charge	24	**(544)**	(2,054)
Group Underlying Operating Profit post COVID-19 costs		**35,183**	37,035
COVID-19 related costs:			
COVID-19 related employee costs		**2,564**	–
COVID-19 related establishment costs		**1,417**	–
COVID-19 related depreciations costs		**1,625**	–
COVID-19 related other costs		**752**	–
Total COVID-19 related costs		**6,358**	–
Group Underlying Operating Profit pre COVID-19 costs		**41,541**	37,035

5. APMs (Adjusted performance measures) (continued)

	Note	2020 £'000	2019 £'000
Group Underlying Operating Profit post COVID-19 costs		**35,183**	37,035
Depreciation on property, plant and equipment	17	**13,929**	14,842
Group Adjusted EBITDA		**49,112**	51,877
COVID-19 related employee costs		**2,564**	–
COVID-19 related establishment costs		**1,417**	–
COVID-19 related other costs		**752**	–
		4,733	–
Group Adjusted EBITDA pre COVID-19 costs		**53,845**	51,877

6. Finance costs

	2020 £'000	2019 £'000
Interest on borrowings and RCF	**1,203**	1,570
Unwinding of discount on lease liabilities	**1,594**	1,719
Unwinding of discount on contingent consideration	**335**	410
Unwinding of discount on professional indemnity provision	**2**	30
Unwinding of discount on deferred consideration	**–**	15
	3,134	3,744

7. Finance income

	2020 £'000	2019 £'000
Finance income on sub-lease assets	**1**	10
Loan note interest	**143**	–
	144	10

8. Exceptional items

	2020 £'000	2019 £'000
Exceptional costs:		
Aborted merger deal costs	**2,350**	569
Branch/centre closure and restructuring costs including redundancy costs	**2,312**	14,645
Impairment of investment in associate	**1,992**	–
Other	**422**	–
Transition costs relating to surveying contracts	**-**	516
	7,076	15,730
Exceptional gains:		
Exceptional gain in relation to historic PI Costs	**(674)**	(2,487)
	(674)	(2,487)

Exceptional costs

There were £7.08m of exceptional costs in the year (2019: £15.73m), of which £2.35m of non-recurring and material costs (2019: £0.57m) relating to aborted merger deal costs in relation to the discussions for a potential all-share combination between LSL and Countrywide plc, which did not result in an offer by LSL.

8. Exceptional items (continued)

There were £2.31m (December 2019: £14.65m) of non-recurring and material exceptional costs relating to the planned Estate Agency branch/centre closures and restructuring costs and the Surveying transformation costs. No further costs are expected in relation to this.

In February 2021 LSL's associate, Mortgage Gym entered administration. The Group has recognised an impairment of £1.99m in the share of associate net assets as a non-recurring exceptional cost.

In 2020 there were £0.42m of non-recurring exceptional costs in relation to head office restructuring. No further head office restructuring costs are expected in 2021.

Exceptional gains

The Group continued to make positive progress in settling historic PI claims and there has been a release of £0.67m (2019: £2.49m) for the provision for professional indemnity (PI) claims.

9. Profit before tax

Profit before tax is stated after charging:

	2020 £'000	2019 £'000
Auditor's remuneration (see Note 10 to the Group Financial Statements)	**616**	495
Short term leases	**1,468**	3,474
Low value leases	**538**	128
Depreciation – owned assets	**4,407**	4,747
Depreciation – leased assets	**9,522**	10,095
(Gain) on sale of owned property, plant and equipment	**(15)**	(148)

10. Auditor's remuneration

The remuneration of the auditors is further analysed as follows:

	2020 £'000	2019 £'000
Audit of the Financial Statements	**98**	85
Audit of subsidiaries	**480**	370
Audit of transition to IFRS 16	**-**	15
Total audit	**578**	470
Audit related assurance services (interim results review fee)	**38**	18
Other assurance services	**-**	7
	616	495

The 2020 audit fee was reviewed and increased during the period. The fee increase is consistent with fee increases seen across the audit market which are the result of audit firms reviewing their fee arrangements as a consequence of the level of work needed to focus on quality.

11. Earnings Per Share (EPS)

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

	2020 Profit after tax £'000	**2020 Weighted average number of Shares**	**2020 Per Share amount pence**	2019 Profit after tax £'000	2019 Weighted average number of Shares	2019 Per Share amount pence
Basic EPS	**16,326**	**102,939,680**	**15.9**	12,969	102,669,719	12.6
Effect of dilutive share options		**947,704**			425,152	
Diluted EPS	**16,326**	**103,887,384**	**15.7**	12,969	103,094,871	12.6

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.

The Directors consider that the adjusted earnings shown below give a better and more consistent indication of the Group's underlying performance:

	2020 £'000	2019 £'000
Group Underlying Operating Profit	**41,541**	37,035
Net finance costs (excluding exceptional and contingent consideration items and discounting on lease liabilities)	**(1,062)**	(1,600)
Normalised taxation (tax rate 19% 2019:19%)	**(7,691)**	(6,733)
Adjusted profit after tax	**32,788**	28,702

Adjusted Basic and diluted EPS

	2020 Adjusted profit after tax £'000	**2020 Weighted average number of Shares**	**2020 Per Share amount pence**	2019 Adjusted profit after tax £'000	2019 Weighted average number of Shares	2019 Per Share amount pence
Adjusted Basic EPS	**32,788**	**102,939,680**	**31.9**	28,702	102,669,719	28.0
Effect of dilutive share options		**947,704**			425,152	
Adjusted diluted EPS	**32,788**	**103,887,384**	**31.6**	28,702	103,094,871	27.8

12. Dividends paid and proposed

	2020 £'000	2019 £'000
Declared and paid during the year:		
2018 Final: 6.9 pence per Share	**–**	7,086
2019 Interim: 4.0 pence per Share	**–**	4,108
	–	11,194
Dividends on Ordinary Shares proposed (not recognised as a liability as at 31 December):		
Equity dividends on Ordinary Shares:		
Dividend: nil pence per Share (2019: nil)		–

13. Cash-flow from financing activities

	At 1 January 2020 £'000	Cash-flow £'000	Acquisitions £'000	Lease liability movements £'000	Unwind £'000	At 31 December 2020 £'000
Long term liabilities	68,801	(28,000)	–	(5,988)	1,594	36,407
Short term liabilities	10,394	(10,862)	122	11,018	–	10,672
	79,195	(38,862)	122	5,030	1,594	47,080

Long term liabilities

Long term liabilities includes the bank loan totalling £13.00m (2019: £41.00m) and lease liabilities totalling £23.40m (2019: £27.80m). The bank loan is secured via cross guarantees issued from the subsidiaries disclosed in Note 24 to the Group Financial Statements.

Short term liabilities

Short term liabilities includes deferred consideration £0.12m (2019: £0.08m), lease liabilities £10.55m (2019: £9.43m) and overdraft £nil (2019: £0.88m)

14. Directors and employees

Remuneration of Directors

	2020 £'000	2019 £'000
Directors' remuneration (short term benefits)[1]	1,524	2,122
Contributions to money purchase pensions schemes (post-employment benefits)	9	20
Share-based payments charge on current incentive schemes	147	374
	1,680	2,516

Note:

1 Included within this amount is accrued bonuses of nil (2019: £658,000). The number of Directors who were members of Group money purchase pension schemes during the year totalled two (2019: two). The Directors did not exercise any share options in the current or prior year.

Employee numbers and costs

The Group employs staff in its branches and head offices. Aggregate payroll costs of these employees were:

	2020 £'000	2019 £'000
Wages and salaries	140,526	168,072
Social security costs	14,878	17,859
Pension costs	6,231	6,961
Total employee costs	161,635	192,892
Subcontractor costs	820	1,315
Total employee and subcontractor costs[1]	162,455	194,207
Share-based payment expense (see below)	18	312

Note:

1 The total employee and subcontractor costs include employees redundancy costs of £0.9m. In 2019 employee redundancy costs of £4.3m were excluded and shown under exceptional costs as they formed part of the planned reshaping of the Estate Agency Division (see Note 8 to the Group Financial Statements).

Included within total employee costs is £15.7m receivable under the Government's Coronavirus Job Retention Scheme.

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

	2020	2019
Financial Services	887	938
Surveying and Valuation Services	871	929
Estate Agency	2,260	2,401
	4,018	4,268

14. Directors and employees (continued)

Share-based payments

The Remuneration Policy on pages 95 – 101 of the Directors' Remuneration Report details the policies in relation to share-based payments, which includes details on the Remuneration Committee's discretion to adjust the LTIP vesting outcomes if it considers that it is not reflective of the underlying performance of LSL.

Long term incentive plan

The Group operates a LTIP (an equity-settled share-based remuneration scheme) for certain employees. Under the LTIP, the options vest if the individual remains an employee of the Group after a three year period, unless the individual has left under certain 'good leaver' terms in which case the options may vest earlier and providing the performance conditions are met.

LTIP 2020 vesting conditions

50% of the options vest based on the TSR of LSL as compared to a comparator group of FTSE Small Cap, excluding investment trusts, over the three year performance period (9 November 2020 – 9 November 2023):

- if the Group is in the top 25% percentile, all of these options will vest;
- if the Group is at the median 25% will vest;
- straight line vesting between median and top 25% percentile; and
- below the median, no options vest.

50% of the options are based on LSL's Adjusted Basic EPS performance in financial year ending 31 December 2022:

- if 2022 Adjusted Basic EPS is equal to or over (≥) 31.5 pence – 100% vest;
- if 2022 Adjusted Basic EPS is equal to 25.6 pence – 25% vest;
- straight line vesting between 25.6 pence and 31.5 pence; and
- if 2022 Adjusted Basic EPS is below 25.6 pence – no options vest.

LTIP 2019 vesting conditions

30% of the options vest based on the TSR of LSL as compared to a comparator group of 21 companies in similar or related sectors over the three year performance period:

- if the Group is in the top 25% percentile, all of these options will vest;
- if the Group is at the median 25% will vest;
- straight line vesting between median and top 25% percentile; and
- below the median – no options vest.

70% of the options are based on the Adjusted EPS performance over the three financial years starting with the financial year in which the LTIP award is granted:

- if growth is equal to or over (≥) 12.0 p.a. – 100% vest;
- if growth is 5.0% p.a. – 25% vest;
- straight line vesting between 5.0% p.a. and 12.0% p.a.; and
- if growth is below 5.0% p.a. – no options vest.

14. Directors and employees (continued)

LTIP 2018 vesting conditions

30% of the options vest based on the TSR of LSL as compared to a comparator group of 22 companies in similar or related sectors over the three year performance period:

- if the Group is in the top 25% percentile, all of these options will vest;
- if the Group is at the median 25% will vest;
- straight line vesting between median and top 25% percentile; and
- below the median – no options vest.

70% of the options are based on the Adjusted EPS performance over the three financial years starting with the financial year in which the LTIP award is granted:

- if growth is equal to or over (≥) 13.0 p.a. – 100% vest;
- if growth is 7.5% p.a. – 25% vest;
- straight line vesting between 7.5% p.a. and 13.0% p.a.; and
- if growth is below 7.5% p.a. – no options vest.

	2020		2019	
	Weighted average exercise price £	**Number**	Weighted average exercise price £	Number
Outstanding at 1 January	–	**1,995,087**	–	1,924,654
Granted during the year	–	**1,210,792**	–	887,980
Exercised during the year	–	**(2,700)**	–	–
Lapsed during the year	–	**(627,353)**	–	(817,547)
Outstanding at 31 December	–	**2,575,826**	–	1,995,087

There were 116,560 options exercisable at the end of the year (2019: 119,260). The weighted average remaining contractual life is 1.68 years (2019: 1.62 years). The weighted average fair value of options granted during the year was £1.92 (2019: £2.43). The weighted average share price of options at the date of their exercise was £2.74 (2019: £nil).

Joint share ownership plan (JSOP)

Awards under the JSOP participated in increases in the value of Shares in the Company above the share price at the date of grant. Awards comprised an interest in jointly owned Shares (i.e. Ordinary Shares held in co-ownership with the Trust) and a stock appreciation right. A key feature of the JSOP was that individuals were required to purchase their interest in the jointly owned Shares and had thereby put their personal capital at risk.

There were nil options (2019: 129,464) exercisable at the end of the year which relate to the 2010 scheme which vested in 2013. Given that the scheme has vested, the weighted average remaining contractual life was nil (2019: nil), participants could exercise their options up until 2020 and have therefore nil years (2019: one year) remaining until their option lapsed. No options were exercised or lapsed during the year (2019: nil).

14. Directors and employees (continued)

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.

	2020		2019	
	Weighted average exercise price £	**Number**	Weighted average exercise price £	Number
Outstanding at 1 January	**3.59**	**1,016,407**	2.29	1,166,326
Granted during the year	**–**	**–**	–	–
Exercised during the year	**2.77**	**(49,830)**	–	–
Lapsed during the year	**3.22**	**(86,374)**	3.37	(149,919)
Outstanding at 31 December	**3.67**	**880,203**	3.59	1,016,407

There were 880,203 options exercisable at the end of the year (2019: 1,016,407). The average market value at the date of exercise was £3.11 (2019: £nil).

The vested schemes have a remaining exercise period of between one and five years (2019: one and six years).

SAYE (Save As You Earn) scheme

The Group has offered options under the SAYE scheme in each of 2011 to 2014 and 2016 to 2019 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.

	2020		2019	
	Weighted average exercise price £	**Number**	Weighted average exercise price £	Number
Outstanding at 1 January	**2.39**	**1,374,554**	2.39	1,067,119
Granted during the year	**–**	**–**	2.65	652,797
Exercised	**2.24**	**(8,035)**	2.28	(10,672)
Lapsed during the year due to employees withdrawal	**2.56**	**(454,475)**	2.40	(334,690)
Outstanding at 31 December	**2.47**	**912,044**	2.39	1,374,554

The weighted average fair value of options granted during the year was £nil (2019: £1.46) and the weighted average remaining contractual life was 0.67 years (2019: 1.26 years). The average market value at the date of exercise was £2.85 (2019: £2.65).

There were nil (2019: nil) options exercisable at the end of the year.

BAYE (Buy As You Earn) scheme

The matching shares element of the SIP/BAYE was introduced and provides participants with one matching share for every five partnership shares purchased. The matching shares are allocated from Ordinary Shares held by the Trust for the benefit of SIP/BAYE participants. The maximum saving under the scheme would be automatically capped at £150 per month (as per HMRC limits).

	2020		2019	
	Weighted average exercise price £	**Number**	Weighted average exercise price £	Number
Outstanding at 1 January	**2.5**	**78,000**	**2.5**	**78,000**
Granted during the year	**–**	**–**	–	–
Exercised	**–**	**–**	–	–
Lapsed during the year due to employees withdrawal	**–**	**–**	–	–
Outstanding at 31 December	**2.5**	**78,000**	**2.5**	**78,000**

14. Directors and employees (continued)

There were nil options exercisable at the end of the year.

All employee share award

The Group launched its first free share award under its SIP Plan in 2020. 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 Group 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. The weighted average fair value at grant was £2.19. There were nil options exercisable at the end of the year.

	2020		2019	
	Weighted average exercise price £	**Number**	Weighted average exercise price £	Number
Outstanding at 1 January	–	–	–	–
Granted during the year	–	832,914	–	–
Exercised	–	–	–	–
Lapsed during the year due to employees withdrawal	–	–	–	–
Outstanding at 31 December	–	832,914	–	–

Equity-settled transactions

The assumptions used in the estimation of the fair value of equity-settled options were as follows:

	LTIP 2020	LTIP 2019
Option pricing model used	Black Scholes	Black Scholes
Weighted average Share price at grant date (£)	2.11	2.74
Exercise price (£)	–	–
Expected life of options (years)	3	3
Expected volatility (%)	100	100
Expected dividend yield (%)	3.20	3.97
Risk free interest rate (%)	0.63	0.76

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

	2020 £'000	2019 £'000
Share-based payment expense during the year	18	312

A credit of £165,000 (2019: charge of £115,000) relates to employees of the Company.

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.

15. Taxation

(a) Tax on profit on ordinary activities

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

	2020 £'000	2019 £'000
UK corporation tax – current year	5,111	3,993
– adjustment in respect of prior years	(409)	(56)
	4,702	3,937
Deferred tax:		
Origination and reversal of temporary differences	(597)	(657)
Changes in tax rates	243	69
Adjustment in respect of prior year	248	(304)
Total deferred tax (credit)	(106)	(892)
Total tax charge in the Income Statement	4,596	3,045

Corporation tax is recognised at the headline UK corporation tax rate of 19% (2019: 19%).

Accordingly, this rate is applicable in the measurements of the deferred tax assets and liabilities at 31 December 2020. Deferred tax has been provided at 19% being the rate at which temporary differences are expected to reverse.

In March 2021, the 2021 Budget included an announcement to increase the standard rate of corporation tax from 19% to 25% from 1 April 2023. It is expected this will be substantively enacted during summer 2021. Since the rate increase was not substantively enacted at the balance sheet date, deferred tax has been provided at 19%. The maximum impact on deferred tax balances of the rate increase is estimated to be £575,000.

The effective rate of tax for the year was 22.0% (2019: 19.0%). The effective tax rate for 2020 is higher than the headline UK tax rate for a number of reasons including the depreciation of assets which do not qualify for capital allowances, the impairment of investments in JVs and associates, and the upward revaluation of deferred tax liabilities.

Deferred tax credited directly to other comprehensive income is £nil (2019: £0.1m). Income tax credited directly to the share-based payment reserve is £nil (2019: £nil).

(b) Factors affecting tax charge for the year

The tax assessed in the profit and loss account is higher than (2019: equal to) the standard UK corporation tax rate, because of the following factors:

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	20,922	16,014
Tax calculated at UK standard rate of corporation tax of 19% (2019: 19%)	3,975	3,043
Non-deductible expenditure/(non-taxable income) from joint ventures and associates	(53)	52
Other disallowable expenses	769	644
Impact of movement in contingent consideration charged/(credited) to the Income Statement	(40)	(313)
Share-based payment relief	24	(37)
Brought forward losses not previously recognised	(161)	(53)
Impact of rate change on deferred tax	243	69
Prior period adjustments – current tax	(409)	(56)
Prior period adjustment – deferred tax	248	(304)
Total taxation charge	4,596	3,045

15. Taxation (continued)

A major component of the disallowable expenditure is a permanent disallowance of depreciation on assets that do not qualify for capital allowances. This is a recurring adjustment and the tax impact in the year is £264,000 (2019: £321,000). Another significant adjustment is the impact of exceptional expenditure, which is not deductible for tax purposes. The impact of this non-deductible expenditure is £412,000 (2019: £508,000).

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

	2020 £'000	2019 £'000
Unrecognised deferred tax asset relating to:		
Losses	2,393	2,382
	2,393	2,382

The deferred tax assets may be recoverable in the future and this is dependent on subsidiary companies generating taxable profits sufficient to allow the utilisation of these amounts. These deferred tax assets cannot be offset against profits elsewhere in the Group as they relate to losses brought forward which can only be offset against taxable profits arising from the same trade in which the losses arose. There is no time limit for utilisation of the above tax losses and other temporary differences.

(d) Deferred tax

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

	2020 £'000	2019 £'000
Net deferred tax liability at 1 January	1,805	2,189
Deferred tax liability arising on acquisitions and business combinations	104	588
Deferred tax liability recognised directly in other comprehensive income	19	(94)
Deferred tax (credit) in Income Statement for the year (Note 15a to these Financial Statements)	(106)	(892)
Deferred tax movement through opening reserves	–	14
Net deferred tax liability at 31 December	1,822	1,805

Analysed as:

	2020 £'000	2019 £'000
Accelerated capital allowances	(1,460)	(1,624)
Deferred tax liability on separately identifiable intangible assets on business combinations	4,033	4,174
Deferred tax on financial assets	25	23
Deferred tax on share options	(241)	(257)
Other short term temporary differences	(287)	(255)
Trading losses recognised	(248)	(256)
	1,822	1,805

Deferred tax credit/(expense) in Income Statement relates to the following:

	2020 £'000	2019 £'000
Intangible assets recognised on business combinations	244	777
Accelerated capital allowance	(164)	198
Deferred tax on share options	–	85
Other temporary differences	34	94
Trading losses recognised	(8)	(262)
	106	892

At the end of either year there was no unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries.

16. Intangible assets

Goodwill

	£'000
Cost	
At 1 January 2019	159,723
Arising on acquisitions	140
At 31 December 2019	159,863
Arising on acquisitions	–
At 31 December 2020	**159,863**
Net book value	
At 31 December 2020	**159,863**
At 31 December 2019	159,863

There has been no impairment in respect of the carrying amount of goodwill held on the balance sheet.

The carrying amount of goodwill by cash generating unit is given below:

	2020 £'000	2019 £'000
Financial Services		
Group First	**13,913**	13,913
RSC New Homes	**7,128**	7,128
First Complete	**3,998**	3,998
Advance Mortgage Funding	**2,604**	2,604
Personal Touch Financial Services	**348**	348
	27,991	27,991
Surveying and Valuation segment company		
e.surv	**9,569**	9,569
Estate Agency segment companies		
Your Move	**41,897**	41,897
Marsh & Parsons	**40,307**	40,307
LSLi	**22,512**	22,512
Reeds Rains	**16,903**	16,903
Templeton LPA	**336**	336
Others	**348**	348
	122,303	122,303
Total	**159,863**	159,863

16. Intangible assets (continued)

Impairment of goodwill and other intangibles with indefinite useful lives
Goodwill acquired through business combinations and brands has been allocated for impairment testing purposes to statutory companies or Groups of statutory companies which are managed as one cash generating unit as follows:

- Financial Services companies
  - Group First.
  - RSC New Homes.
  - First Complete.
  - Advance Mortgage Funding which includes BDS.
  - Personal Touch Financial Services.
- Surveying and Valuation Services company
  - e.surv.
- Estate Agency companies
  - Your Move (including its share of cash-flows from LSL Corporate Client Department).
  - Marsh & Parsons.
  - LSLi, which includes Intercounty, Frosts, JNP, Goodfellows, Davis Tate, Lauristons, Lawlors, Hawes & Co and Thomas Morris.
  - Reeds Rains.
  - Templeton LPA.
  - St Trinity.

Recoverable amount of companies
The recoverable amount of the Financial Services, Surveying and Valuation Services and Estate Agency companies has been determined based on a value in use calculation using cash-flow projections based on financial budgets approved by the Board and in the three year plan. The discount rate applied to cash-flow projections is 11.7% (2019: 9.5%) and cash-flows beyond the three year plan are extrapolated using a 2.0% growth rate (2019: 1.8%).

Key assumptions used in value in use calculations
The calculation of value in use for each of the Financial Services, Surveying and Valuation Services and Estate Agency companies is most sensitive to the following assumptions:

- Discount rates.
- Performance in the market.

Discount rates
Reflects the Management Team's estimate of the post-tax Weighted Average Cost of Capital (WACC) of the Group and this is grossed up to arrive at a pre-tax discount rate (using a tax rate of 19.0%) of 11.7% (2019: 9.5%); external advice has been sought for certain elements of the source data. This is the benchmark used by the Management Team to assess operating performance and to evaluate future acquisition proposals.

Performance in the market
Reflects how the Management Team believes the business will perform over the three year period and is used to calculate the value in use of the CGUs.

There has been no impairment in respect of the carrying amount of goodwill or brand (an indefinite useful life asset) held on the balance sheet.

16. Intangible assets (continued)

Sensitivity to changes in assumptions

The Management Team has undertaken sensitivity analysis to determine the effect of changes in assumptions on the 2020 impairment reviews. Marsh & Parsons has headroom of £12.8m and in this instance a reasonable possible change in either the financial budgets in the three year plan or the discount rate applied could lead to impairment. A reduction in each of the three years of cash-flow forecast by 15%, or an increase to the discount factor applied from 11.68% to 13.39% would lead to an impairment.

Other intangible assets

	Brand names £'000	Lettings contracts £'000	Order book £'000	Other[1] £'000	Total £'000
Cost					
At 1 January 2019	19,265	17,771	228	13,823	**51,087**
Additions	–	–	–	1,273	1,273
Arising on acquisition	–	3,459	–	–	3,459
At 31 December 2019	**19,265**	**21,230**	**228**	**15,096**	**55,819**
Additions	–	–	–	1,843	1,843
Arising on acquisition	–	540	–	–	540
Disposals	–	–	(228)	–	(228)
At 31 December 2020	**19,265**	**21,770**	**–**	**16,939**	**57,974**
Amortisation and impairment					
At 1 January 2019	191	11,718	228	6,990	**19,127**
Amortisation	–	3,166	–	2,620	**5,786**
At 31 December 2019	191	14,884	228	9,610	**24,913**
Amortisation	–	2,808	–	2,587	**5,395**
Disposals	–	–	(228)	–	**(228)**
At 31 December 2020	**191**	**17,692**	**–**	**12,197**	**30,080**
Net book value					
At 31 December 2020	**19,074**	**4,078**	**–**	**4,742**	**27,894**
At 31 December 2019	19,074	6,346	–	5,486	30,906

Note:

1 Other relates to in-house software and Estate Agency franchise agreements.

Overview

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16. Intangible assets (continued)

The carrying amount of brand by operating unit is as follows:

	2020 £'000	2019 £'000
Financial Services		
Group First	396	396
Advance Mortgage Funding	180	180
RSC New Homes	43	43
	619	619
Surveying and Valuation Services company		
e.surv	1,305	1,305
Estate Agency companies		
Marsh & Parsons	11,724	11,724
Your Move	2,510	2,510
Reeds Rains	1,241	1,241
LSLi	1,675	1,675
	17,150	17,150
Total	19,074	19,074

The brand value relates to the following:

- Your Move, a network of residential sales and lettings agencies and e.surv, a surveying and valuation company which were both acquired by the Group in July 2004;
- Reeds Rains, a network of residential sales and lettings agencies which was acquired in October 2005;
- Intercounty, a network of residential sales and lettings agencies which was acquired in February 2007;
- Frosts, a network of residential sales and lettings agencies which was acquired in July 2007;
- JNP, a network of residential sales and lettings agencies which was acquired in September 2007;
- Goodfellows, a network of residential sales and lettings agencies which was acquired in May 2010;
- Advance Mortgage Funding and BDS intermediary networks which were acquired in December 2010;
- Marsh & Parsons, a network of residential sales and lettings agencies which was acquired in November 2011;
- Davis Tate, a network of residential sales and lettings agencies which was acquired in February 2012;
- Lauristons, a network of residential sales and lettings agencies which was acquired in July 2012;
- Walker Fraser Steele, a surveying business which was acquired in June 2013;
- Lawlors, a network of residential sales and lettings agencies which was acquired in September 2013;
- Hawes & Co, a network of residential sales and lettings agencies which was acquired in March 2014;
- Thomas Morris, a network of residential sales and lettings agencies which was acquired in February 2015;
- Group First, a financial services group which was acquired in February 2016; and
- RSC New Homes, a financial services company which was acquired in March 2018.

The businesses are run as separate reporting units within the Group. There have been no fundamental changes to the manner in which the businesses have been run since their acquisition and therefore the results of the businesses are considered to be derived from the brand names nationally.

17. Property, plant and equipment

	Land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost					
At 1 January 2019	2,367	8,998	15	31,646	**43,026**
Initial recognition of IFRS 16	37,220	–	6,530	–	**43,750**
Revised opening balance	39,587	8,998	6,545	31,646	**86,776**
Additions	4,149	715	2,394	2,880	**10,138**
Disposals	(4,346)	(77)	(547)	(4,877)	**(9,847)**
At 31 December 2019	39,390	9,636	8,392	29,649	**87,067**
Additions	3,549	367	1,811	1,842	**7,569**
Disposals	(958)	(311)	(1,056)	(1,748)	**(4,073)**
At 31 December 2020	**41,981**	**9,692**	**9,147**	**29,743**	**90,563**
Depreciation and impairment					
At 1 January 2019	358	4,187	14	21,601	**26,160**
Charge for the year	6,730	947	3,418	3,747	**14,842**
Disposals	(303)	(23)	(398)	(2,781)	**(3,505)**
At 31 December 2019	6,785	5,111	3,034	22,567	**37,497**
Charge for the year	6,682	909	2,886	3,452	**13,929**
Disposals	(592)	(311)	(1,000)	(1,701)	**(3,604)**
At 31 December 2020	**12,875**	**5,709**	**4,920**	**24,318**	**47,822**
Net book value					
At 31 December 2020	**29,106**	**3,983**	**4,227**	**5,425**	**42,741**
At 31 December 2019	32,605	4,525	5,358	7,082	**49,570**
Owned assets	1,561	3,983	10	5,425	**10,979**
IFRS 16 leased assets	27,545	–	4,217	–	**31,762**
	29,106	**3,983**	**4,227**	**5,425**	**42,741**

In 2020 assets with a book value of £469,000 were disposed in the year. This includes a leasehold property with a book value totalling £115,000 which was sold for net proceeds of £130,000 resulting in a profit on disposal of £15,000.

In 2019 assets with a book value of £6,342,000 were disposed in the year. This includes a leasehold property with a book value totalling £41,000 which was sold for net proceeds of £189,000 resulting in a profit on disposal of £148,000.

18. Financial assets

	2020 £'000	2019 £'000
Convertible loan noted carried at fair value		
Secured convertible loan notes (Global Property Ventures)	**10**	–
Secured convertible loan notes (Mortgage Gym) – 5%	**2,240**	2,000
Investment in equity instruments – at fair value		
Unquoted shares at fair value	**6,961**	6,952
IFRS 16 lessor financial assets	**350**	374
	9,561	9,326
Opening balance	**9,326**	11,566
Initial recognition of IFRS 16	**–**	329
Revised opening balance	**9,326**	11,895
Additions	**418**	2,783
Additional sub-leases	**–**	114
Disposals	**(183)**	(1,835)
Fair value adjustment recorded through OCI	**–**	(3,558)
Deferred tax on fair value adjustment	**–**	(73)
Closing balance	**9,561**	9,326

Convertible loan notes at fair value
LSL subscribed for £2,000,000 of Convertible Secured Preference Loan Notes with Mortgage Gym in 2019. In July 2020, £160,000 of these loan notes were converted to equity. In 2020, LSL subscribed for a further £400,000 Convertible Secured Preference Loan Notes with Mortgage Gym. Interest on the Convertible Secured Preference Loan Notes is 5% per annum. The final repayment date of the Convertible Secured Preference Loan Notes is 5 June 2024. Repayment may take place before this date. The Convertible Secured Preference Loan Notes are secured by way of a debenture. In February 2021, Mortgage Gym entered administration. The fair value of the Convertible Secured Preference Loan Notes at 31 December 2020 has been assessed as £2,240,000, consistent with the carrying value at that time as recovery of the full value of the loan notes will occur upon the completion of sale of the trade and assets of Mortgage Gym.

LSL subscribed for £10,000 of Convertible Loan Notes with Global Property Ventures Limited in 2020.

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 Level 3 valuation techniques (see Note 32 to the Financial Statements).

Vibrant Energy Matters Limited (VEM)
The carrying value of the Group's investment in VEM at 31 December 2020 has been assessed as £287,000 (December 2019: £287,000). The fair value of the Group's investment in VEM has been assessed by using Level 3 techniques.

NBC Property Master Limited
The carrying value of the Group's investment at 31 December 2020 has been assessed as £78,000 (December 2019: £78,000).

Global Property Ventures Limited
The carrying value of the Group's investment in Global Property Ventures Limited at 31 December 2020 has been assessed as £101,000 (December 2019: £93,000). During the year, the Group subscribed to additional shares in Global Property Ventures at a value of 10.88 pence per share.

Yopa Property Limited
The carrying value of the Group's investment in Yopa at 31 December 2020 is £6,495,000 (December 2019: £6,495,000). The fair value of the Group's investment in Yopa has been assessed by using Level 3 techniques.

19. Investments in joint ventures and associates

	2020 £'000	2019 £'000
Investment in joint ventures and associates	**11,406**	12,958
Investment in joint ventures		
Opening balance	**10,305**	9,657
Equity accounted profit	**1,101**	648
Closing balance	**11,406**	10,305

The Group holds a 33.33% (2019: 33.33%) interest in TM Group (UK) Limited (TM Group), a joint venture whose principal activity is to provide searches. The principal place of business of TM Group is the United Kingdom.

The Group also has a 50% (2019: 50%) interest in LMS, a joint venture whose principal activity is to provide conveyancing panel management services. The principal place of business of LMS is the United Kingdom.

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

	2020 £'000	2019 £'000
TM Group balance sheet:		
Non-current assets	**7,462**	7,844
Current assets	**5,441**	2,156
Cash and cash equivalents	**7,545**	1,167
Current liabilities	**(13,353)**	(6,660)
Non-current liabilities	**(96)**	–
Net assets	**6,999**	4,507
LSL share of net assets	**2,333**	1,502

	2020 £'000	2019 £'000
TM Group results:		
Revenue	**66,677**	68,843
Depreciation	**(477)**	(530)
Operating expenses	**(63,123)**	(68,330)
Operating profit	**3,077**	(17)
Finance income	**6**	5
Profit before tax	**3,083**	(12)
Taxation	**(586)**	2
Profit after tax	**2,497**	(10)
LSL share of profit after tax	**832**	(3)
Shareholder service charge	**213**	713
Income from TM Group	**1,045**	710

19. Investments in joint ventures and associates (continued)

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

	2020 £'000	2019 £'000
LMS balance sheet:		
Non-current assets	**16,467**	16,191
Current assets	**1,621**	2,810
Cash and cash equivalents	**3,957**	2,327
Current liabilities	**(3,628)**	(3,721)
Non-current liabilities	**(272)**	–
Net assets	**18,145**	17,607
LSL share of net assets	**9,073**	8,803

	2020 £'000	2019 £'000
LMS results:		
Revenue	**19,732**	24,467
Depreciation	**(1,515)**	(747)
Operating expenses	**(17,556)**	(22,118)
Operating profit	**661**	1,602
Finance income	**2**	5
Profit before tax	**663**	1,607
Taxation	**(126)**	(306)
Profit after tax	**537**	1,301
LSL share of profit after tax	**269**	651

Non-current assets include £5,008,000 (2019: £5,008,000) in respect of goodwill arising on the acquisition of shares in LMS.

	2020 £'000	2019 £'000
Investment in associate	**–**	2,653
Opening balance	**2,653**	3,573
Acquisitions	**160**	–
Equity accounted loss	**(821)**	(920)
Fair value impairment	**(1,992)**	–
Closing balance	**–**	2,653

The Group has a 45.20% (2019: 34.69%) holding in Mortgage Gym, a digital mortgage business. The principal place of business of Mortgage Gym is the United Kingdom. Mortgage Gym entered administration in February 2021. An impairment of £1,992,000 has been recognised in the year in exceptional costs (Note 8), reducing LSL's share of net assets to nil.

19. Investments in joint ventures and associates (continued)

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

	2020 £'000	2019 £'000
Mortgage Gym balance sheet:		
Non-current assets	**497**	9,138
Current assets	**253**	325
Cash and cash equivalents	**115**	386
Current liabilities	**(3,999)**	(2,199)
Non-current liabilities	**–**	–
Net assets	**(3,134)**	7,650
LSL share of net assets	**–**	2,653

	2020 £'000	2019 £'000
Mortgage Gym results:		
Revenue	**603**	306
Depreciation	**(269)**	(93)
Operating expenses	**(2,066)**	(3,487)
Operating (loss)	**(1,732)**	(3,274)
Finance costs	**(102)**	–
Loss before tax	**(1,834)**	(3,274)
Taxation	**348**	622
Loss after tax	**(1,486)**	(2,652)
LSL share of loss after tax	**(821)**	(920)

20. Contract assets

	2020 £'000	2019 £'000
Non-current contract asset	**433**	686
Current contract asset	**253**	253
	686	939

In accordance with IFRS 15, items relating to the reimbursement of costs associated with the award of a material surveying contract with Lloyds Bank plc has been recognised as a contract asset. This reimbursement will be amortised over the term of the contract. The amount of amortisation recognised in the Income Statement in 2020 is £253,000 (2019: £253,000).

21. Trade and other receivables

	2020 £'000	2019 £'000
Current		
Trade receivables	**12,507**	19,624
Prepayments	**15,143**	14,021
Other debtors	**788**	746
	28,438	34,391

Trade receivables are non-interest-bearing and are generally on 4-30 day terms depending on the services to which they relate.

As at 31 December 2020, trade receivables with a nominal value of £4,040,000 (2019: £3,868,000) were impaired and fully provided for.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2020 £'000	2019 £'000
At 1 January	**3,868**	3,020
Provision for expected credit losses	**192**	977
Amounts written off	**(20)**	(129)
At 31 December	**4,040**	3,868

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 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
2020	**12,507**	**6,453**	**1,977**	**740**	**288**	**317**	**2,732**
2019	19,624	9,688	7,374	1,010	308	380	864

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

	Total	Neither past due nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
2020		**0.50%**	**0.70%**	**2.50%**	**2.30%**	**4.00%**	**23.30%**
2019		1.00%	3.60%	7.40%	12.30%	18.90%	39.40%

In 2020 the expected credit loss rate applied to each ageing bracket has reduced due to reductions in the average historic default rates included in the provision matrix, which is based on defaults recognised within each business unit.

22. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash and cash equivalents	**11,443**	–

Cash at bank earns interest at floating rates based on daily bank overnight deposit rates.

23. Trade and other payables

	2020 £'000	2019 £'000
Current		
Trade payables	**11,733**	11,585
Other taxes and social security payable	**24,971**	10,896
Other payables	**2,291**	2,019
Accruals	**29,412**	30,224
Lapse provision	**4,529**	5,283
	72,936	60,007

Included within other taxes and social security payable is £9.4m of VAT, which has been deferred and will be payable in instalments between April 2021 and February 2022 as allowed by HMRC under the VAT deferral new payment scheme in response to the COVID-19 pandemic. Also included in other taxes and social security payable is £4.3m of PAYE/NIC and Insurance Premium Tax. A Time to Pay arrangement was reached with HMRC, the full balance was settled on 1 February 2021.

Lapse provision

Certain subsidiaries sell life assurance products which are cancellable without a notice period, and if cancelled within a set period require that a portion of the commission earned must be repaid. The lapse provision is recognised as a reduction in revenue which is based on historic lapses which have occurred. The provision is management's best estimate of future clawed back commission on life assurance policies, taking into account historic lapse rates in each subsidiary.

24. Financial liabilities

	2020 £'000	2019 £'000
Current		
Overdraft	**–**	883
2% and 12% unsecured loan notes	**–**	65
IFRS 16 lessee financial liabilities	**10,550**	9,431
Deferred consideration	**122**	80
Contingent consideration	**1,794**	654
	12,466	11,113
Non-current		
Bank loans – RCF	**13,000**	41,000
IFRS 16 lessee financial liabilities	**23,407**	27,801
Contingent consideration	**3,653**	5,150
	40,060	73,951

Bank loans – RCF and overdraft

A £100.0m loan facility which was due to expire in May 2020 was extended in January 2018 and now expires in May 2022. Loan refinance costs were incurred in June 2013 which have been capitalised and are being amortised over the life of the original loan facility.

The bank loan totalling £13.0m (2019: £41.0m) and overdraft totalling £nil (2019: £0.9m) are 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, Marsh & Parsons Limited, Marsh & Parsons (Holdings) Limited, BDS Mortgage Group Limited, LSLi Limited, Davis Tate Limited, Lauristons Limited, David Frosts Estate Agents Limited, ICIEA Limited, GFEA Limited, JNP Estate Agents Limited, Vitalhandy Enterprises Limited, Mortgages First Limited, Insurance First Brokers Limited, Group First Limited, Personal Touch Financial Services Limited, Personal Touch Administration Services Limited, Embrace Financial Services Limited.

24. Financial liabilities (continued)

The utilisation of the RCF may vary each month as long as this does not exceed the maximum £100.0m facility (2019: £100.0m). The Group's overdraft is also secured on the same facility, and the combined overdraft and RCF cannot exceed £100.0m (2019: £100.0m). The banking facility is repayable when funds permit on or by May 2022.

Interest and fees payable on the RCF amounted to £1.2m (2019: £1.6m). The interest rate applicable to the facility is LIBOR plus a margin rate; the margin rate is linked to the leverage ratio of the Group and the margin rate is reviewed at six monthly intervals.

Deferred consideration

	2020 £'000	2019 £'000
LSLi	122	80
	122	80

Contingent consideration

	2020 £'000	2019 £'000
RSC New Homes	3,653	3,632
Group First	1,470	1,518
LSLi contingent consideration	302	393
Other	22	261
	5,447	5,804
Current contingent consideration	1,794	654
Non-current contingent consideration	3,653	5,150
Total contingent consideration	5,447	5,804
Opening balance	5,804	15,038
Cash paid	(171)	(7,890)
Acquisition	23	300
Amounts recorded through Income Statement	(209)	(1,644)
Closing balance	5,447	5,804

RSC
£3,653,000 (2019: £3,632,000) of contingent consideration relates to RSC New Homes. The movement relates to the assessment of the fair value of the contingent consideration which has been calculated using earnings multiples of between five and six times EBITA (plus excess cash in the business) and has been capped at a maximum of £7,500,000.

Group First
£1,470,000 (2019: £1,518,000) of contingent consideration relates to Group First. The movement relates to the assessment of the fair value of remaining contingent consideration. The remaining consideration has been calculated using earnings multiples of between five and six times EBITA (plus excess cash in the business) and has been capped at a maximum of £25.0m.

LSLi
£302,000 (2019: £393,000) of contingent consideration relates to payments to former shareholders in relation to the acquisition of LSLi and certain of its subsidiaries between 2012 and 2016. The full balance outstanding at 31 December 2020 was paid in January 2021.

During 2020 £171,000 (2019: £7,890,000) of contingent consideration was paid to former shareholders.

24. Financial liabilities (continued)

The table below shows the allocation of the contingent consideration income charge between the various categories:

	2020 £'000	2019 £'000
Arrangement under IFRS 3	(544)	(2,054)
Unwinding of discount on contingent consideration	335	410
(Credit)/charge	**(209)**	**(1,644)**

The contingent consideration charged to the Income Statement in the year, excluding the unwinding of discount relates to both new and previous acquisitions and relates to the acquisition of: LSLi charge of £4,000 (2019: charge of £14,000); Mortgage First credit of £146,000 (2019: charge of £641,000); RSC New Homes credit of £216,000 (2019: charge of £1,408,000); WFS credit of £167,000 (2019: £nil).

25. Provisions for liabilities

	2020			2019		
	PI claim provision £'000	Onerous leases £'000	Total £'000	PI claim provision £'000	Onerous leases £'000	Total £'000
Balance at 1 January	8,212	440	8,652	12,430	130	12,560
Amount utilised	(1,707)	–	(1,707)	(2,257)	(897)	(3,154)
Amount released	(679)	(304)	(983)	(2,489)	–	(2,489)
Unwinding of discount	2	–	2	30	–	30
Provided in financial year	1,214	–	1,214	498	1,207	1,705
Balance at 31 December	7,042	136	7,178	8,212	440	8,652
Current liabilities	2,926	72	2,998	3,380	195	3,575
Non-current liabilities	4,116	64	4,180	4,832	245	5,077
	7,042	136	7,178	8,212	440	8,652

PI Costs (professional indemnity claims) provision

The PI Costs provision is to cover the costs of claims relating to valuation services for clients which are not covered by PI insurance. The PI Costs provision includes amounts for claims already received from clients, claims yet to be received and any other amounts which may be payable as a result of legal disputes associated with provision of valuation services.

The provision is the Directors' best estimate of the likely outcome of such claims, taking account of the incidence of such claims and the size of the loss that may be borne by the claimant, after taking account of actions that can be taken to mitigate losses. The PI Costs provision will be utilised as individual claims are settled and the settlement amount may vary from the amount provided depending on the outcome of each claim. It is not possible to estimate the timing of payment of all claims and therefore a significant proportion of the provision has been classified as non-current.

As at 31 December 2020 the total provision for PI Costs was £7.0m. The Directors have considered the sensitivity analysis on the key risks and uncertainties discussed above.

Cost per claim

A substantial element of the PI Costs provision relates to specific claims where disputes are ongoing. These specific cases have been separately assessed and specific provisions have been made. The average cost per claim has been used to calculate the IBNR. Should the costs to settle and resolve these claims and future claims increase by 10%, an additional £0.5m would be required.

Rate of claim

The IBNR assumes that the rate of claim for the high risk lending period in particular reduces over time. Should the rate of reduction be lower than anticipated and the duration extended, further costs may arise. An increase of 30% in notifications in excess of that assumed in the IBNR calculations would increase the required provision by £0.4m.

Notifications

The Group has received a number of notifications which have not deteriorated into claims or loss. Should the rate of deterioration increase by 50%, an additional provision of less than £0.2m would be required.

26. Leases

At the year ended 31 December 2020, the Group has the following in regards to leases in the Group balance sheet.

Right of use assets

	2020			2019		
	£'000 Property	£'000 Vehicles	£'000 Total	£'000 Property	£'000 Vehicles	£'000 Total
1 January	30,887	5,339	36,226	37,220	6,530	43,750
Additions	3,549	1,811	5,360	4,149	2,370	6,519
Disposals	(249)	(53)	(302)	(3,798)	(150)	(3,948)
Depreciation	(6,643)	(2,879)	(9,522)	(6,684)	(3,411)	(10,095)
31 December	27,544	4,218	31,762	30,887	5,339	36,226

These are included in the carrying amounts of PPE on the face of the Group balance sheet, and have been included in Note 17.

Lease liabilities

	2020 £'000	2019 £'000
1 January	37,232	43,224
Additions	5,445	6,529
Interest expense	1,594	1,719
Disposals	(415)	(2,759)
Repayment of lease liabilities	(9,899)	(11,481)
31 December	33,957	37,232

The Group added £5,445,000 of new lease liabilities in the year. The weighted average discount rate appplied across the Group for these additions was 3.91% (2019: 4.03%).

Maturity of these lease liabilities is analysed as follows:

	£'000 Property	£'000 Vehicles	£'000 Total
Current lease liabilities	7,707	2,843	10,550
Non-current lease liabilities	21,430	1,977	23,407
31 December 2020	**29,137**	**4,820**	**33,957**

These are included in non-current and current financial liabilities on the face of the Group balance sheet, and have been included in Note 24. Maturity analysis of the future cash-flows of lease liabilities has been included in Note 32.

26. Leases (continued)

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

	2020 £'000	2019 £'000
Depreciation of right of use assets		
Property	(6,643)	(6,684)
Vehicles	(2,879)	(3,411)
Short term and low value lease expense (Note 9)	(2,006)	(3,602)
Sub-lease income	25	68
Charge to operating profit	**(11,503)**	**(13,629)**
Interest expense related to lease liabilities	(1,594)	(1,719)
Interest income related to sub-lease	–	10
Charge to profit before taxation	(1,594)	(1,709)
Cash outflow relating to operating activities	(3,624)	(5,321)
Cash outflow relating to financing activities	(8,280)	(9,761)
Total cash outflow relating to leases	**(11,904)**	**(15,082)**

During the year, the Group applied the COVID-19 practical expedient to recognise all rent concessions that were directly as a result of the COVID-19 pandemic as variable lease payments through the Income Statement. In the year £234,955 was recognised as a reduction to outstanding lease liabilities through the Income Statement.

At 31 December 2020 the Group had not entered into any leases to which it was committed but had not yet commenced.

27. Share capital

	2020		2019	
	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	104,158,950	208	104,158,950	208
Issued in the year	1,000,000	2	-	-
At 31 December	105,158,950	210	104,158,950	208

28. Reserves

Share premium
The amount subscribed for share capital in excess of nominal value less any costs attributable to the issue of new shares.

Share-based payment reserve
The share-based payment reserve is used to record the value of equity-settled share-based payment provided to the employees, as part of their remuneration. Note 14 gives further details of these plans.

Shares held by EBT
Treasury shares 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 2020 the Trust held 1,589,974 (2019: 1,430,494) LSL Shares at an average cost of £3.14 (2019: £3.51). The market value of the LSL Shares at 31 December 2020 was £4,626,824 (2019: £3,862,334). The nominal value of each Share is 0.2 pence.

Fair value reserve
The fair value reserve is used to record the changes in fair value of equity financial assets that the Group has elected to recognise through OCI. Note 18 to these Financial Statements gives further details of the movement in the current year.

29. Pension costs and commitments

The Group operates defined contribution pension schemes for certain Executive Directors and certain employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

The total contributions to the defined contribution schemes in the year were £6,231,000 (2019: £6,962,000). At 31 December 2020 there were outstanding pension contributions of £776,585 (2019: £881,222) included in trade and other payables.

30. Acquisitions during the year

Year ended 31 December 2020

The Group acquired the following businesses during the year:

Lettings books

During the period the Group acquired two lettings books for a total consideration of £438,000. The fair value of the identifiable assets and liabilities of these businesses as at the date of acquisition have been provisionally determined as below:

	Fair value recognised on acquisition £'000
Intangible assets	540
Deferred tax liabilities	(102)
Total identifiable net liabilities acquired	438
Purchase consideration	438
Goodwill	–

	£'000
Purchase consideration discharged by:	
Cash	293
Deferred consideration	122
Contingent consideration	23
	438

	£'000
Analysis of cash-flow on acquisition	
Purchase consideration discharged in cash (included in cash-flows from investing activities)	293
Net cash outflow on acquisition	**293**

30. Acquisitions during the year (continued)

Year ended 31 December 2019

The Group acquired the following businesses during the year.

Lettings books

During the prior period the Group acquired seven lettings books for a total consideration of £3,011,000. The fair value of the identifiable assets and liabilities of these businesses as at the date of acquisition have been determined as below:

	Fair value recognised on acquisition £'000
Intangible assets	3,459
Deferred tax liabilities	(588)
Total identifiable net liabilities acquired	2,871
Purchase consideration	3,011
Goodwill	140

	£'000
Purchase consideration discharged by:	
Cash	2,711
Contingent consideration	300
	3,011

	£'000
Analysis of cash-flow on acquisition	
Purchase consideration discharged in cash (included in cash-flows from investing activities)	2,711
Net cash outflow on acquisition	2,711

31. Client monies

As at 31 December 2020, monies held by subsidiaries in separate bank accounts on behalf of clients amounted to £97.3m (2019: £102.9m). 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 bank loans and other loans. The main purpose of these financial instruments is to raise finance for the Group's operations and to fund acquisitions. The Group has various financial assets and liabilities such as trade receivables, cash and short term deposits and trade payables, which arise directly from its operations.

The Group is exposed through its operations to the following financial risks:

- interest rate risk;
- liquidity risk; and
- credit risk.

Policy for managing these risks is set up by the Board following recommendations from the Group Chief Financial Officer. Certain risks are managed centrally, while others are managed locally following communications from the centre. The policy for each of the above risks is described in more detail below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

32. Financial instruments – risk management (continued)

The majority of external Group borrowings are variable interest rate based and this policy is managed centrally. The subsidiaries are not permitted to borrow from external sources directly without approval from the Group Finance team.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows. There is no material impact on the Group's equity.

	Increase/ decrease in basis point	Effect on profit before tax £'000
2020	**+100**	**(130)**
	-100	**130**
2019	+100	(410)
	-100	410

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generation by its operations, dividend policy and acquisition strategy. Acquisitions are carefully selected with authorisation limits operating up to Board level and cash payback periods applied as part of the investment appraisal process. In this way the Group aims to maintain a good credit rating to facilitate fundraising. The Group is also very cash generative as demonstrated by the cash from operations. The Group has net current liabilities due to the operating model where debtors are collected earlier than payments to creditors, allowing the cash to be used elsewhere in the business such as to reduce the amount drawn down on the RCF and to make acquisitions. However, 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 between one day and three days depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The fair value of cash and cash equivalents is £11.4m (2019: £0.0m). At 31 December 2020, the Group had available £87.0m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met (2019: £51.3m).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2020 based on contractual undiscounted payments:

Year ended 31 December 2020

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	**Total £'000**
Interest-bearing loans and borrowings (including overdraft)	–	108	329	13,181	–	**13,618**
Trade payables	–	11,733	–	–	–	**11,733**
Other payables	–	33,939	–	–	–	**33,939**
Contingent consideration	–	324	1,470	4,287	–	**6,081**
Deferred consideration	–	46	76	–	–	**122**
Lease liabilities	–	3,205	7,345	19,725	9,241	**39,516**
	–	**49,355**	**9,220**	**37,193**	**9,241**	**105,009**

32. Financial instruments – risk management (continued)

Year ended 31 December 2019

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Interest-bearing loans and borrowings (including overdraft)	883	276	843	42,585	–	**44,587**
Trade payables	–	11,584	–	–	–	**11,584**
Other payables	–	35,507	–	–	–	**35,507**
Contingent consideration	–	219	435	5,150	–	**5,804**
Deferred consideration	–	–	80	–	–	**80**
Lease liabilities	–	2,602	7,807	21,753	9,885	**42,047**
	883	50,188	9,165	69,488	9,885	**139,609**

The liquidity risk of each Group entity is managed centrally by the Group Treasury function. The Group's cash requirement is monitored closely. All surplus cash is held centrally to offset against the Group's borrowings and reduce the interest payable. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements. The Group has a RCF with a syndicate of major banking corporations to manage longer term borrowing requirements.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains appropriate capital structure to support its business objectives, including any regulatory requirements, and maximise Shareholder value. Capital includes share capital and other equity attributable to the equity holders of the parent.

In the medium to long term, the Group will strive to maintain a reasonable leverage (i.e. balance between debt and equity) to help achieve the Group's business objectives of growth (through acquisitions and organic growth) and meet its dividend policy. In the short term, the Group does not have a set leverage ratio to be achieved but the Directors monitor the ratio of net debt to operating profit to ensure that the debt funding is not excessively high.

The Group has a current ratio of Net Bank Debt to EBITDA of 0.03 (2019: 0.8), based on Net Bank Debt of £1.6m (2019: £41.9m) and operating profit before exceptional costs, amortisation and share-based payment charge of £41.5m (2019: £37.0m). The business is cash generative with a low capital expenditure requirement. The Group is committed to its stated dividend policy of 30% of Group Underlying Operating Profit after finance charges and normalised taxation. The Board has reviewed the policy in line with the risks and capital management decisions facing the Group.

Credit risk

There are no significant concentrations of credit risk within the Group. The Group is exposed to a credit risk in respect of revenue transactions (i.e. turnover from customers). It is Group policy, implemented locally, to obtain appropriate details of new customers before entering into contracts. The majority of the Estate Agency customers use the Group's services as part of a house sale transaction and consequently the debt is paid from the proceeds realised from the sale of the house by the vendor's solicitor before the balance of funds is transferred to the vendor. This minimises the risk of the debt not being collected.

Risk of exposure to non-return of cash on deposit is managed by placing funds with lenders who form part of the Group's agreed banking facility syndicate, which comprises several leading UK banks.

The majority of the Surveying and Valuation Services 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.

32. Financial instruments – risk management (continued)

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 2020 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	**11,443**	**–**	**–**	**–**	**11,443**
RCF	**–**	**(13,000)**	**–**	**–**	**(13,000)**

The effective interest rate and the actual interest rate charged on the loans in 2020 are as follows:

	Effective rate	Actual rate
RCF	**3.9%**	**1.0%**

The interest rate profile of the financial assets and liabilities of the Group as at 31 December 2019 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	(883)	–	–	–	(883)
Loan notes	(66)	–	–	–	(66)
RCF	–	–	(41,000)	–	(41,000)

The effective interest rate and the actual interest rate charged on the loans in 2019 are as follows:

	Effective rate	Actual rate
RCF	3.0%	2.0%

The effective interest rate on the RCF during the year is higher than the actual rate due to commitment fees payable on undrawn amounts.

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:

2020	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	9,561	–	–	9,561
Liabilities measured at fair value				
Contingent consideration	5,447	–	–	5,447

2019	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	9,326	–	–	9,326
Liabilities measured at fair value				
Contingent consideration	5,804	–	–	5,804

The fair value of equity financial assets that are not traded in the open market is £6.9m (2019: £6.9m) are valued using Level 3 techniques in accordance with the fair value hierarchy and the Management Team use all relevant and up to date information (including cash-flow forecasts and financial statements) to arrive at their judgement. Where appropriate a range of potential outcomes is considered in reaching a conclusion. If this was to drop by 10%, the implied valuation is likely to also drop by around 10%, £0.7m.

The contingent consideration relates to amounts payable in the future on acquisitions. The amounts payable are based on the amounts agreed in the contracts and based on the future profitability of each entity acquired. In valuing each provision, estimates have been made as to when the options are likely to be exercised and the future profitability of the entity at this date. Further details of these provisions are shown in Note 24.

If the future profitability of the entities were to decline by 10%, the size of the contingent consideration would decrease by approximately £0.2m.

33. Analysis of Net Bank Debt

Net Bank Debt is defined as follows:

	2020 £'000	2019 £'000
Interest-bearing loans and borrowings (including loan notes, overdraft, IFRS 16 leases, contingent and deferred consideration)		
– Current	**12,466**	11,113
– Non-current	**40,060**	73,951
	52,526	85,064
Less: unsecured loan notes	**–**	(65)
Less: cash and short term deposits	**(11,443)**	–
Less: IFRS 16 lessee financial liabilities	**(33,957)**	(37,232)
Less: deferred and contingent consideration	**(5,569)**	(5,884)
Net Bank Debt (excluding loan notes)	**1,557**	41,883

34. Related party transactions

As disclosed in Note 19 to these Financial Statements LSL has two joint ventures, LMS and TM Group and an associate Mortgage Gym.

Transactions with LMS and its subsidiaries

	2020 £'000	2019 £'000
Sales	**–**	–

Transactions with TM Group and its subsidiaries

	2020 £'000	2019 £'000
Sales	**1,048**	910
Purchases	**(931)**	(754)
Creditor at 31 December 2020	**(80)**	(80)

Transactions with Mortgage Gym

	2020 £'000	2019 £'000
Purchases	**(456)**	(375)
Creditor at 31 December 2020	**–**	–

35. Capital commitments

	2020 £'000	2019 £'000
Capital expenditure contracted for but not provided	**–**	–

36. Subsidiary and joint venture companies

The Group owns 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 United Kingdom. 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
LSL-Three Limited^	2	Direct	LSL Property Services plc	100%	Non Trading
Financial Services					
Embrace Financial Services Ltd	2	Direct	LSL Property Services plc	100%	Financial Services
First2Protect Limited	2	Indirect	your-move.co.uk Limited	100%	Financial Services
Group First Ltd	2	Indirect	your-move.co.uk Limited	95%	Holding Company
Insurance First Brokers Ltd	2	Indirect	Group First Ltd	100%	Financial Services
Mortgages First Ltd	2	Indirect	Group First Ltd	100%	Financial Services
Reeds Rains Financial Services Limited	2	Indirect	Reeds Rains Limited	100%	Financial Services
RSC New Homes Limited	2	Indirect	your-move.co.uk Limited	60%	Financial Services and Holding Company
RSC Protect Limited	2	Direct	RSC New Homes Limited	100%	Non Trading
Advance Mortgage Funding Limited	1	Direct	LSL Property Services plc	100%	Financial Services and Holding Company
BDS Mortgage Group Limited	1	Indirect	Advance Mortgage Funding Limited	100%	Non Trading
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
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 and Valuation Services					
Albany Insurance Company (Guernsey) Limited	9	Direct	LSL Property Services plc	100%	Captive Insurer
e.surv Limited	5	Direct	LSL Property Services plc	100%	Chartered Surveyors

36. Subsidiary and joint venture companies (continued)

Name of subsidiary company	Registered office address	LSL holding	LSL Shareholder	Proportion of nominal value of shares held	Nature of business
Estate Agency – Asset Management					
LSL Corporate Client Services Limited	1	Direct	LSL Property Services plc	100%	Asset Management
St Trinity Limited	1	Direct	LSL Property Services plc	100%	Asset Management
Templeton LPA Limited	1	Indirect	First Complete Limited	100%	Asset Management
Estate Agency – Residential Sales and Lettings					
Airport Lettings Stansted Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Appleton Estates and Property Management Limited	2	Indirect	Davis Tate Ltd	100%	Non Trading
Bawtry Lettings and Sales Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Beldhamland Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Brown North East Lettings Ltd	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Charterhouse Management (UK) Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
David Frost Estate Agents Limited	2	Indirect	Vitalhandy Enterprises Limited	100%	Residential Sales and Lettings
Davis Tate Ltd	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
EA Student Lettings Ltd	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Eastside Property Developments Ltd	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Elliott & Freeth Limited	2	Indirect	Davis Tate Ltd	100%	Non Trading
Fourlet (York) Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Front Door Property Management Ltd	2	Indirect	ICIEA Limited	100%	Non Trading
GFEA Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
Guardian Property Lettings Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Hawes & Co Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
Hawes & Co (Thames Ditton) Limited	2	Indirect	Hawes & Co Limited	100%	Non Trading
Headway Property Management Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
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%	Non Trading
Hydegate Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
ICIEA Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
Inter County Lettings Limited	2	Indirect	ICIEA Limited	100%	Non Trading
IQ Property (Hull) Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading

36. Subsidiary and joint venture companies (continued)

Name of subsidiary company	Registered office address	LSL holding	LSL Shareholder	Proportion of nominal value of shares held	Nature of business
JNP Estate Agents Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
JNP Estate Agents (Princes Risborough) Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
JNP (Residential Lettings) Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
JNP (Surveyors) Limited	2	Indirect	LSLi Limited	100%	Non Trading
Kent Property Solutions Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
LSL Land & New Homes Ltd	2	Indirect	your-move.co.uk Limited	100%	Residential Sales
Lauristons Limited	2	Indirect	LSLi Limited	100%	Residential Sales, Lettings and Holding Company
Lawlors Property Services Limited	2	Indirect	LSLi Limited	100%	Residential Sales and Lettings
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%	Residential Sales, Lettings, Financial Services and Holding Company
Marsh & Parsons Limited	3	Indirect	Marsh & Parsons (Holdings) Limited	100%	Residential Sales, Lettings and Holding Company
Marsh & Parsons (Holdings) Limited	2	Direct	LSL Property Services plc	100%	Holding Company
Marshcroft Properties Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
New Daffodil Limited	2	Direct	LSL Property Services plc	100%	Non Trading
New Let Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Oakley Lettings Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Paul Graham Lettings & Management Ltd	2	Indirect	GFEA Limited	100%	Non Trading
Philip Green Lettings Limited	2	Indirect	JNP Estate Agents Limited	100%	Non Trading
PHP Lettings Scotland Limited	4	Indirect	your-move.co.uk Limited	100%	Non Trading
Prestons Lettings Ltd	2	Indirect	Reeds Rains Limited	100%	Non Trading
Pygott & Crone Lincoln Lettings Limited	2	Indirect	your-move.co.uk Limited	100%	Non Trading
Reeds Rains Limited	2	Direct	LSL Property Services plc	100%	Residential Sales, Lettings, Financial Services and Holding Company
Reeds Rains Cleckheaton Limited	2	Indirect	Reeds Rains Limited	100%	Non Trading
Simply Let Ltd^^	4	Indirect	your-move.co.uk Limited	100%	Non Trading
Thomas Morris Limited^^^	1	Indirect	LSLi Limited	93.33%	Residential Sales and Lettings
Top-Let Limited	2	Indirect	LetCo Group Limited	100%	Non Trading
Vanstons (Barnes) Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vanstons Commercial Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading

36. Subsidiary and joint venture companies (continued)

Name of subsidiary company	Registered office address	LSL holding	LSL Shareholder	Proportion of nominal value of shares held	Nature of business
Vanstons Lettings Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vanstons Limited	3	Indirect	Marsh & Parsons Limited	100%	Non Trading
Vitalhandy Enterprises Limited	2	Indirect	LSLi Limited	100%	Holding Company
Warners Letting Agency Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Woollens of Wimbledon Limited	2	Indirect	Lauristons Limited	100%	Non Trading
Yates Lettings Limited	2	Indirect	Davis Tate Ltd	100%	Non Trading
your-move.co.uk Limited	1	Indirect	Lending Solutions Holdings Limited	100%	Residential Sales, Lettings, Financial Services and Holding Company
Zenith Properties Limited	2	Indirect	ICIEA Limited	100%	Non Trading
Joint ventures and associates					
Cybele Solutions Holdings Limited#	6	Direct	LSL Property Services plc	49.63% (50% voting)	Joint Venture - Holding Company
Cybele Solutions Limited#	6	Indirect	Cybele Solutions Holdings Limited	49.63% (50% voting)	Joint Venture - Conveyancing Panel Manager
Mortgage Gym Limited#	8	Direct	LSL Property Services plc	45.20%	Associate - Financial Services
TM Group (UK) Limited#	7	Direct	LSL Property Services plc	33.33%	Joint Venture - Property Searches

Registered office addresses:

1. Newcastle House, Albany Court, Newcastle upon Tyne, NE4 7YB
2. 2nd Floor, Gateway 2, Holgate Park Drive, York, YO26 4GB
3. 80 Hammersmith Road, London, W14 8UD
4. 25 North Bridge Street, Bathgate, West Lothian, EH48 4PJ
5. Lahnstein House, Gold Street, Kettering, Northamptonshire, NN16 8AP
6. Bickerton House, Lloyd Drive, Ellesmere Port, Cheshire, CH65 9HQ
7. 1200 Delta Business Park, Swindon, Wiltshire, England, SN5 7XZ
8. Fourth Floor Abbots House, Abbey Street, Reading, Berkshire, RG1 3BD
9. The Albany, South Esplanade, St Peters Port, Guernsey, GY1 4NF

Notes:

^ LSL-Three Limited was incorporated 13 February 2020

^^ Lettings book acquired by way of share purchase in 2020

^^^ On 8 January 2021 LSLi Limited's holding in Thomas Morris Limited increased from 93.33% to 100%

Joint ventures/associates

37. Events after the reporting period

Acquisition of Direct Life and Pensions Services Limited
In January 2021, LSL acquired 60% of the issued share capital of Direct Life Quote Holdings Limited, which owns 100% of the share capital of Direct Life and Pension Services Limited. Direct Life and Pension Services is a financial services business specialising in the provision of outsourced financial services products providing a range of systems and services to financial intermediaries and direct to consumer companies. The consideration for the acquisition is £2.4m and is made up of a payment of £1.8m which was paid on completion and £0.6m deferred consideration.

The Group is currently in the process of allocating the purchase price in accordance with IFRS 3 and as a result the initial accounting for this acquisition is incomplete.

Acquisition of Mortgage Gym
In February 2021, LSL acquired the trade and assets of Mortgage Gym from administration for a consideration of £2.4m. The events and conditions that led to Mortgage Gym entering administration existed at 31 December 2020. This is considered an adjusting event for LSL's investment in associate equity holding, causing an impairment of £2.0m to be recognised through exceptional costs in 2020 writing the Group's carrying value of Mortgage Gym to £nil (see Note 8 and 19 to these Financial Statements). The fair value of the secured preference loan notes at 31 December 2020 has been assessed as £2.2m. No fair value adjustment has been required (see Note 18 to these Financial Statements).

New Revolving Credit Facility agreement
In February 2021 LSL announced that it had entered into a new banking facility which runs to May 2024 with a new limit of £90m; this replaces the existing RCF, with maturity date of May 2022 and credit limit of £100m.

Formation of joint venture with Pollen Street Capital
On 23 April 2021 LSL announced the formation of the Pivotal Growth joint venture with Pollen Street Capital (PSC), a vehicle seeking to become a leading national mortgage broker. It is planned that at least £200m will be made available by way of equity and debt to fund acquisitions. LSL has committed up to £33.5m and PSC up to £62.4m to support the acquisitions to be made by Pivotal Growth. The investment by LSL and PSC will be supplemented with external debt finance in Pivotal Growth to fund purchases, with a view to an exit event over a three to six year period.

LSL and PSC will each invest up to £19.1m for a 47.8% equity share of Pivotal Growth. In addition, LSL will invest up to £14.4m and PSC up to £43.3m by way of loan notes. The commitments will be drawn down by Pivotal Growth over time dependent on the timing of acquisitions and the extent of external debt finance deployed. The LSL investment of up to £33.5m will be funded from LSL's existing cash resource and banking facilities.

LSL will apply equity accounting for its share of Pivotal Growth profits after tax and will also recognise loan note interest receivable, both to be included in the Underlying Operating Profit of the Financial Services Division. The value of the equity investment will be recognised in the LSL balance sheet as an investment in joint venture and the loan notes recognised in financial assets within non-current assets. In addition, the acquired companies' membership of the PRIMIS network will generate further profit to the Group. The profile of profit attributable to LSL from Pivotal Growth will depend on the timing of acquisitions and before the execution of the first acquisition there will be a period of modest investment in Pivotal Growth's operating cost base. Thereafter, the profit contribution to LSL is expected to be material within two to three years, with the opportunity for a meaningful exit event within a three to six year period.

The current structure of the agreement provides that the amount due to LSL for its share of proceeds at exit is capped. This cap can be removed unilaterally by LSL with Shareholder consent, and LSL intends in due course to seek Shareholder approval to remove the cap.

As this is a newly established entity, Pivotal Growth has no gross assets or profits.

Simon Embley has been appointed Chief Executive of Pivotal Growth and will step down from his role of LSL Chair following the publication of the Group's 2020 results on 28 April 2021. The LSL Board has agreed to him investing up to £4m alongside PSC and LSL for a 4.4% share in the business. Simon will stay on the LSL Board as a Non Executive Director, allowing the Group to continue to benefit from his knowledge and experience. This position will be kept under review.

37. Events after the reporting period (continued)

Five year agreement to provide digital and face-to-face mortgage and protection advice to The Property Franchise Group
In April 2021, LSL announced that it had reached a long term agreement with the UK's largest property franchisor, The Property Franchise Group plc (TPFG), to offer mortgage and protection advice services to all TPFG's franchisees, including those recently incorporated as a result of its combination with Hunters Property Ltd. The Property Franchise Group now has over 430 physical office locations, conducts the sale of circa 23,000 properties per annum and manages in excess of 73,000 tenanted properties.

The agreement is for a minimum of a five year period and means that LSL will be providing digital and face-to-face mortgage and protection advice to the customers of TPFG and TPFG's franchisees. TPFG franchisees will be provided with a range of options via LSL's award winning PRIMIS mortgage network. Franchisees will be offered the opportunity either to take on their own mortgage adviser and become an appointed representative of PRIMIS, or to refer their customers to existing PRIMIS appointed representatives, including LSL's in-house mortgage brokers.

This agreement underlines the opportunity for further growth of its Financial Services businesses, leveraging LSL's existing leading positions in the mortgage advice market. This contract will enhance the Financial Services Division profit after an initial 12 to 18 month investment period requiring one-off transition and integration costs.

Statement of Directors' Responsibilities in Relation to the Parent Company Financial Statements

The Directors are responsible for preparing the Annual Report and the Group Financial Statements in accordance with applicable United Kingdom 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 Company Financial Statements in accordance with International Financial Reporting Standards (IFRS) in conformity with the Companies Act 2006. Under company law the Directors must not approve the Group 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 Financial Conduct Authority's Disclosure Guidance and Transparency Rules, Group Financial Statements are required to be prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors' and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- in respect of the Group Financial Statements, state whether IFRS in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- in respect of the Parent Company Financial Statements, state whether IFRS in conformity with the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is appropriate to presume that the Company and/or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent 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 a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance statement 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.

Parent Company Balance Sheet

as at 31 December 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Other intangible assets	3	**7**	7
Property, plant and equipment	4	**12**	50
Investment in subsidiaries	5	**187,192**	187,055
Financial assets	6	**8,846**	8,588
Investment in joint ventures and associates	7	**7,235**	11,335
Deferred tax asset	11	**122**	153
		203,414	207,188
Current assets			
Trade and other receivables	8	**42,225**	41,811
Total assets		**245,639**	248,999
Current liabilities			
Trade and other payables	9	**(110,518)**	(96,933)
Financial liabilities	10	**(13,928)**	(14,806)
		(124,446)	(111,739)
Non-current liabilities			
Financial liabilities	10	**(13,000)**	(41,000)
Total liabilities		**(137,446)**	(152,739)
Net assets		**108,193**	96,260
Equity			
Share capital	12	**210**	208
Share premium account	13	**5,629**	5,629
Share-based payment reserve	13	**3,942**	4,429
LSL Shares held by the EBT	13	**(5,012)**	(5,224)
Fair value reserve	13	**(13,695)**	(13,695)
Retained earnings	13	**117,119**	104,913
Total equity		**108,193**	96,260

The profit after tax for the year, attributable to the Company, was £11.7m (2019: £13.0m).

The Notes on pages 193 to 205 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
27 April 2021

Adam Castleton
Group Chief Financial Officer
27 April 2021

Parent Company Statement of Cash-Flows

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Parent operating profit before tax and interest		**9,960**	11,777
Adjustments for:			
Exceptional operating items		**4,260**	–
Depreciation of tangible assets	4	**38**	60
Share-based payments		**57**	141
Finance income		**(143)**	10
Finance costs		**1,056**	1,691
Dividend income		**(22,500)**	(18,171)
Operating cash-flows before movements in working capital		**(7,272)**	(4,492)
Movements in working capital			
(Increase)/decrease in trade and other receivables	8	**(174)**	12,482
Increase/(decrease) in trade and other payables	9	**21,086**	(8,576)
		20,912	3,906
Cash generated from operations		**13,640**	(586)
Interest paid		**(1,056)**	(1,690)
Income taxes paid		**(5,788)**	(5,159)
Net cash generated from operating activities		**6,796**	(7,435)
Cash-flows used in investing activities			
Payment of deferred consideration		**–**	(2,000)
Investment in financial assets	6	**(418)**	(2,783)
Cash received on sale of financial asset		**–**	1,765
Dividends received from subsidiaries		**22,500**	17,000
Purchases of property, plant and equipment		**–**	(6)
Net cash generated/(expended) on investing activities		**22,082**	13,976
Cash-flows used in financing activities			
(Repayment)/drawdown of loans		**(28,000)**	6,500
Repayment of overdraft		**(778)**	(1,856)
(Repayment)/issue of unsecured loan notes	10	**(66)**	66
Payment of lease liabilities		**(34)**	(57)
Dividends paid to equity holders of the Parent		**–**	(11,194)
Net cash generated/(expended) in financing activities		**(28,878)**	(6,541)
Net increase/(decrease) in cash and cash equivalents		**–**	–
Cash and cash equivalents at the end of the year		**–**	–

The Notes on pages 193 to 205 form part of these Financial Statements.

Parent Company Statement of Changes in Equity

for the year ended 31 December 2020

for the year ended 31 December 2020

	Issued capital £'000	Share premium £'000	Share-based payment reserve £'000	Shares held by EBT[1] £'000	Fair value reserve £'000	Retained earnings £'000	Total £'000
As at 1 January 2020	**208**	**5,629**	**4,429**	**(5,224)**	**(13,695)**	**104,913**	**96,260**
Other comprehensive income for the year	–	–	–	–	–	–	**–**
Profit for the year	–	–	–	–	–	11,721	**11,721**
Total comprehensive income for the year	–	–	–	–	–	11,721	**11,721**
Issue of share capital	2	–	–	–	–	–	**2**
Exercise of options	–	–	(80)	212	–	44	**176**
Share-based payment transactions	–	–	(423)	–	–	441	**18**
Tax on share-based payments	–	–	16	–	–	–	**16**
As at 31 December 2020	**210**	**5,629**	**3,942**	**(5,012)**	**(13,695)**	**117,119**	**108,193**

During the year ended 31 December 2020, the Trust acquired 167,083 LSL Shares. During the period, 60,565 share options were exercised relating to LSL's various share option schemes resulting in the Shares being sold by the Trust. LSL received £176,000 on exercise of these options.

Note:

[1] Treasury shares have been renamed to Shares held by EBT

The Notes on pages 193 to 205 form part of these Financial Statements

for the year ended 31 December 2019

	Issued capital £'000	Share premium £'000	Share-based payment reserve £'000	Shares held by EBT[1] £'000	Fair value reserve £'000	Retained earnings £'000	Total £'000
As at 1 January 2019	208	5,629	4,129	(5,261)	(12,200)	105,738	98,243
Other comprehensive income for the year	–	–	–	–	–	–	–
Disposal of subsidiary	–	–	–	–	–	(950)	(950)
Revaluation of financial assets	–	–	–	–	(3,196)	–	(3,196)
Disposal of financial assets	–	–	–	–	1,701	(1,701)	–
Profit for the year	–	–	–	–	–	13,019	13,019
Total comprehensive income for the year	–	–	–	–	(1,495)	10,368	8,873
Exercise of options	–	–	(12)	37	–	1	26
Share-based payment transactions	–	–	312	–	–	–	312
Dividends	–	–	–	–	–	(11,194)	(11,194)
As at 31 December 2019	208	5,629	4,429	(5,224)	(13,695)	104,913	96,260

During the year ended 31 December 2019, the Trust acquired nil LSL Shares. During the period 10,672 share options were exercised relating to LSL's various share option schemes resulting in the Shares being sold by the Trust. LSL received £26,000 on exercise of these options.

Note:

[1] Treasury shares have been renamed to Shares held by EBT

The Notes on pages 193 to 205 form part of these Financial Statements.

Notes to the Parent Company Financial Statements

for the year ended 31 December 2020

1. Accounting policies

Basis of preparation

The Parent Company Financial Statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006.

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 2020. 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.

Summary of significant accounting policies

The accounting policies adopted in the preparation of the Parent Company Financial Statements are consistent with those followed in the preparation of the Parent Company Financial Statements for the year ended 31 December 2019.

Judgements and estimates

The preparation of financial information in conformity with IFRS as adopted by the European Union requires the Management Team to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

• Judgements

There are no areas of judgement that have a significant effect on the amounts recognised in the Financial Statements of the Company.

• Estimates

The key assumption affected by future uncertainty that has significant risks of causing material adjustment to the carrying value of assets and liabilities within the next financial year is:

Valuation of financial assets

The Company owns non–controlling interests in a number of listed and unlisted entities. In accordance with the accounting standards, these investments are held at fair value and judgement and assumptions are required in assessing this.

Investments in subsidiaries

Investments are shown at cost less provision for impairment. The cost of an investment is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised through profit and loss.

Investments are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired.

Investments in joint ventures and associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint ventures and associates are accounted for at cost less any provision for impairment. Investments are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired. The cost of an investment is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Any contingent

1. Accounting policies (continued)

consideration will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in profit and loss.

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

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

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

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

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

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

Equity-settled transactions
The Group equity share option programmes allow Company 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 the options granted is measured using the Black Scholes model, taking into account the terms and conditions (including market and non-vesting conditions) upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which is treated as vesting irrespective of whether or not the market or non-market vested condition, is satisfied, provided that all other performance and/or service conditions are satisfied.

Employee Benefit Trust
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

1. Accounting policies (continued)

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 EPS.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Financial assets are derecognised when the Company no longer has the rights to cash-flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the Company commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place.

The subsequent measurement of financial assets depends on their classification.

The Company's accounting policy for each category of financial instruments is as follows:

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IFRS 9 Financial Instruments and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets designated at fair value through profit and loss

Gains and losses arising from the changes in the fair value are recognised through the profit and loss.

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 investment income and finance costs.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided to write off cost less the estimated residual value of property, plant and equipment by equal annual instalments over their estimated useful economic lives as follows:

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.

2. Cash-flow from financing activities

	At 1 January 2020 £'000	Cash-flow £'000	Acquisitions £'000	Foreign exchange £'000	Unwind of discount £'000	At 31 December 2020 £'000
Short term liabilities	14,806	(878)	–	–	–	**13,928**
Long term liabilities	41,000	(28,000)	–	–	–	**13,000**
	55,806	**(28,878)**	**–**	**–**	**–**	**26,928**

Short term liabilities
At 31 December 2020 short term liabilities were made up of the bank overdraft of £13.9m (2019: £14.7m) and unsecured loan notes £nil (2019: £0.1m) (see Note 10 to these Financial Statements).

Long term liabilities
At 31 December 2020 the long term liabilities were made up of the bank loan of £13.0m (2019: £41.0m) (see Note 10 to these Financial Statements).

3. Intangible assets

	Software £'000	Total £'000
Cost		
At 1 January 2020	7	**7**
Additions	–	**–**
As at 31 December 2020	**7**	**7**
Impairment		
At 1 January 2020	–	**–**
Amortisation	–	**–**
As at 31 December 2020	**–**	**–**
Net book value		
As at 31 December 2020	**7**	**7**
As at 31 December 2019	7	**7**

4. Property, plant and equipment

	Land and buildings £'000	Leasehold improvements £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost				
At 1 January 2019	–	74	114	**188**
Initial recognition of IFRS 16	90	–	–	**90**
Revised opening balance	90	74	114	**278**
Additions	–	–	6	**6**
At 31 December 2019	90	74	120	**284**
Additions	–	–	–	**–**
At 31 December 2020	**90**	**74**	**120**	**284**
Depreciation				
At 1 January 2019	–	67	107	**174**
Charge for the year	57	–	3	**60**
At 31 December 2019	57	67	110	**234**
Charge for the year	33	–	5	**38**
At 31 December 2020	**90**	**67**	**115**	**272**
Net book value				
At 31 December 2020	**–**	**7**	**5**	**12**
At 1 January 2020	33	7	10	**50**
Owned assets	–	7	5	**12**
IFRS 16 leased assets	–	–	–	**–**
	–	**7**	**5**	**12**

5. Investment in subsidiaries

Details of the subsidiaries held directly and indirectly by the Company are shown in Note 36 to the Group Financial Statements.

	2020 £'000	2019 £'000
At 1 January	**187,055**	187,807
Disposals	**–**	(950)
Adjustments for share-based payment	**137**	198
At 31 December	**187,192**	187,055

In 2020 there was an increase of £137,000 (2019: increase of £198,000) on investment in subsidiaries for share-based payment, representing the financial effects of awards by the Company of options over its equity shares to employees of subsidiary undertakings. The total contribution to date is £7,940,000.

6. Financial assets

	2020 £'000	2019 £'000
Convertible loan notes – at fair value		
Secured convertible loan notes (Global Property Ventures)	**10**	–
Secured convertible loan notes (Mortgage Gym) – 5%	**2,240**	2,000
Investment in equity instruments – at fair value		
Unquoted shares at fair value	**6,596**	6,588
	8,846	8,588
At 1 January	**8,588**	10,766
Additions	**418**	2,783
Disposals	**(160)**	(1,765)
Revaluation uplift	**–**	(3,196)
At 31 December	**8,846**	8,588

Convertible loan notes at fair value
LSL subscribed for £2,000,000 of Convertible Secured Preference Loan Notes with Mortgage Gym in 2019. In July 2020, £160,000 of these loan notes were converted to equity. In 2020, LSL subscribed for a further £400,000 Convertible Secured Preference Loan Notes with Mortgage Gym. Interest on the Convertible Secured Preference Loan Notes is 5% per annum. The final repayment date of the Convertible Secured Preference Loan Notes is 5 June 2024. Repayment may take place before this date. The Convertible Secured Preference Loan Notes are secured by way of a debenture. In February 2021, Mortgage Gym entered administration. The fair value of the Convertible Secured Preference Loan Notes at 31 December 2020 has been assessed as £2,240,000, consistent with the carrying value at that time as recovery of the full value of the loan notes will occur upon the completion of sale of the trade and assets of Mortgage Gym.

LSL subscribed for £10,000 of Convertible Loan Notes with Global Property Ventures in 2020.

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 Level 3 valuation techniques (see Note 32 to the Group Financial Statements).

Yopa Property Limited
The carrying value of the Company's investment in Yopa at 31 December 2020 is £6,495,000 (December 2019: £6,495,000). The fair value of the Company's investment in Yopa has been assessed by using Level 3 valuation techniques.

7. Investment in joint ventures and associates

	2020 £'000	2019 £'000
At cost		
At 1 January	**11,335**	11,335
Additions	**160**	–
Impairment	**(4,260)**	–
At 31 December	**7,235**	11,335

Along with two other entities, the Company holds an equal share of 33.33% (2019: 33.33%) interest in TM Group, a joint venture whose principal activity is to provide searches. The principal place of business of TM Group is the United Kingdom.

The Company also has a 50% interest in LMS, a joint venture whose principal activity is to provide conveyancing panel management services.

The Group has a 45.20% (2019: 34.69%) holding in Mortgage Gym, a digital mortgage business. The principal place of business of Mortgage Gym is the United Kingdom. Mortgage Gym entered administration in February 2021. An impairment of £4,260,000 has been recognised in the year, reducing LSL's investment to nil.

8. Trade and other receivables

	2020 £'000	2019 £'000
Group relief receivable	**11,921**	10,974
Prepayments	**1,450**	1,315
Other taxes and social security	**28**	47
Amounts owed by Group undertakings	**28,826**	29,475
	42,225	41,811

9. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	**413**	316
Accruals	**2,331**	2,392
Amounts owed to Group undertakings	**107,774**	94,225
	110,518	96,933

10. Financial liabilities

	2020 £'000	2019 £'000
Current liabilities		
IFRS 16 lessee financial liabilities	**–**	34
Unsecured loan notes	**–**	66
Bank overdraft	**13,928**	14,706
	13,928	14,806
Non-current liabilities		
Bank loans – RCF	**13,000**	41,000
	13,000	41,000

Deferred consideration
During 2020 £nil (2019: £2.0m) of deferred consideration was paid to third parties.

Bank loans – RCF and overdraft
The Company's bank loan totals £13.0m (2019: £41.0m) and the Company's overdraft totals £13.9m (2019: £14.7m). The bank loan is secured via a cross guarantee issued from all of the Group's subsidiaries excluding the following subsidiaries, Lending Solutions Limited, Homefast Property Services, Linear (Linear Mortgage Network and Linear Financial Services), Templeton LPA, Group First, Personal Touch Financial Services, and RSC New Homes.

The utilisation of the RCF may vary each month as long as this does not exceed the maximum £100.0m facility (2019: £100.0m). The Group's overdraft is also secured on the same facility, and the combined overdraft and RCF cannot exceed £100.0m (2019: £100.0m). The banking facility is repayable when funds permit on or by May 2022.

The interest rate applicable to the facility is LIBOR plus a margin rate. The margin rate is linked to the leverage ratio of the Group and the margin rate is reviewed at six monthly intervals.

11. Deferred tax

	2020 £'000	2019 £'000
Deferred tax asset		
Deferred tax asset at 1 January	**153**	120
Deferred tax credit/(charge) in profit and loss account for the year	**(19)**	22
Deferred tax credit/(charge) to other comprehensive income	**(12)**	11
Deferred tax asset at 31 December	**122**	153

At 2020 a deferred tax asset is recognised in relation to timing differences on fixed assets of £3,000 and share-based payments of £118,000. No deferred tax liability is recognised in respect of equity financial assets. At 2019 a deferred tax asset is recognised in relation to timing differences on fixed assets of £3,000 and share-based payments of £149,000. No deferred tax liability is recognised in respect of equity financial assets.

12. Called up share capital

	2020 Shares	£'000	2019 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	**104,158,950**	**208**	104,158,950	208
Issued in the year	**1,000,000**	**2**	–	–
At 31 December	**105,158,950**	**210**	104,158,950	208

13. Reserves

Share premium
The amount subscribed for share capital in excess of nominal value less any costs attributable to the issue of new Shares.

Share-based payment reserve
This represents the amount provided in the year in respect of share awards. The Company has operated long term incentive plans (including JSOP and CSOP) and a number of SAYE schemes for the employees in the Company and the Group. See Note 14 to the Group Financial Statements for details of the LTIP, JSOP, CSOP, SIP/BAYE and the SAYE schemes. The effect of share-based payment transactions on the Company's profit for the period was a charge of £27,000 (2019: charge of £115,000).

Fair value reserve
The fair value reserve is used to record the changes in fair value of equity financial assets.

14. Company profit/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 profit after tax for the year was £11.8m (2019: £13.0m).

Remuneration paid to Directors of the Company is disclosed in Note 14 to the Group Financial Statements.

The Company paid £324,200 (2019: £236,714) to its auditors in respect of the audit of the Financial Statements of the Company.

Fees paid to the external auditors and their associates for non-audit services to the Company itself are not disclosed in the individual accounts of the Company because Group Financial Statements are prepared which are required to disclose such fees on a consolidated basis. These are disclosed in Note 10 to the Group Financial Statements.

15. Pensions costs and commitments

Total contributions to the defined contribution schemes in the year were £48,556 (2019: £40,071). The amount outstanding in respect of pensions as at 31 December 2020 was £nil (2019: £nil).

The Parent Company headcount at 31 December 2020 was nil (2019: nil). This is due to employment contracts being drawn up within the subsidiaries and not within the Parent Company itself.

16. Capital commitments

The Company had no capital commitments as at 31 December 2020 (2019: none).

17. 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				
2020	**–**	**–**	**28,798**	**107,229**
2019	–	–	29,476	93,683

	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				
2020	**–**	**–**	**10**	**545**
2019	–	–	–	542

18. Financial instruments – risk management

The Company's principal financial instruments comprise bank loans and other loans. The main purpose of these financial instruments is to raise finance for the Company's operations and to fund acquisitions. The Company has various financial assets and liabilities such as trade receivables, cash and short term deposits and trade payables, which arise directly from its operations.

It is the Company's policy that trading in derivatives shall not be undertaken. The Company may, from time to time and as necessary, enter into interest rate swaps for risk management purposes but did not hold any such swaps during either the current or prior year.

The Company is exposed through its operations to the following financial risks:

- interest rate risk;
- liquidity risk; and
- credit risk.

Policy for managing these risks is set up by the Board following recommendations from the Group Chief Financial Officer. The policy for each of the above risks is described in more detail below.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligations with floating interest rates.

The majority of external Company borrowings are variable interest based and this policy is managed centrally.

18. Financial instruments – risk management (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings as follows. There is no material impact on the Company's equity.

	Increase/ decrease in basis point	Effect on profit before tax £'000
2020	**+100**	**(130)**
	-100	**130**
2019	+100	(410)
	-100	410

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.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2020 based on contractual undiscounted payments:

Year ended 31 December 2020

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total **£'000**
Interest-bearing loans and borrowings (including overdraft)	**13,928**	**276**	**843**	**14,585**	**–**	**29,632**
Trade payables	**–**	**108,159**	**–**	**–**	**–**	**108,159**
	13,928	**108,435**	**843**	**14,585**	**–**	**137,791**

Year ended 31 December 2019

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Interest-bearing loans and borrowings (including overdraft)	14,706	276	843	42,585	–	58,410
Trade payables	–	94,494	–	–	–	94,494
	14,706	94,770	843	42,585	–	152,904

The liquidity risk of the Company entity is managed centrally by the Group Treasury function. The Company's cash requirement is monitored closely. The Company has a RCF with a syndicate of major banking corporations to manage longer term borrowing requirements.

Capital management
The primary objective of the Company's capital management is to ensure that it maintains appropriate capital structure to support its business objectives, including any regulatory requirements, and maximise Shareholder value. Capital includes Share capital and other equity attributable to the equity holders of the Parent.

In the medium to long term, the Company will strive to maintain a reasonable leverage (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.

18. Financial instruments – risk management (continued)

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 2020 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	(13,928)	–	–	–	(13,928)
Loan notes	–	–	–	–	–
RCF	–	(13,000)	–	–	(13,000)

The effective interest rate and the actual interest rate charged on the loans in 2019 are as follows:

	Effective rate	Actual rate
RCF	3.2%	1.0%

The effective interest rate on the RCF during the year is higher than the actual rate due to commitment fees payable on undrawn amounts.

The interest rate profile of the financial assets and liabilities of the Company as at 31 December 2019 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	(14,706)	–	–	–	(14,706)
Loan notes	(66)	–	–	–	(66)
RCF	–	–	(41,000)	–	(41,000)

The effective interest rate and the actual interest rate charged on the loans in 2019 are as follows:

	Effective rate	Actual rate
RCF	3.0%	2.0%

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 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.

18. Financial instruments – risk management (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

2020	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	8,847	–	–	8,847

2019	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	8,588	–	–	8,588

The fair value of equity financial assets that are not traded in the open market of £0.093m (2019: £2.966m) are using Level 3 techniques in accordance with the fair value hierarchy and the Management Team use all relevant and up to date information (including cash-flow forecasts and financial statements) to arrive at their judgement. Where appropriate a range of potential outcomes is considered in reaching a conclusion.

19. Events after the reporting period

Acquisition of Direct Life and Pensions Services Limited
In January 2021, LSL acquired 60% of the issued share capital of Direct Life Quote Holdings Limited, which owns 100% of the share capital of Direct Life and Pension Services Limited. Direct Life and Pension Services is a financial services business specialising in the provision of outsourced financial services products providing a range of systems and services to financial intermediaries and direct to consumer companies. The consideration for the acquisition is £2.4m and is made up of a payment of £1.8m which was paid on completion and £0.6m deferred consideration.

The Group is currently in the process of allocating the purchase price in accordance with IFRS 3 and as a result the initial accounting for this acquisition is incomplete.

Acquisition of Mortgage Gym
In February 2021, LSL acquired the trade and assets of Mortgage Gym from administration for a consideration of £2.4m. The events and conditions that led to Mortgage Gym entering administration existed at 31 December 2020. This is considered an adjusting event for LSL's investment in associate equity holding, causing an impairment of £4.26m to be recognised in 2020 writing the Company's investment in Mortgage Gym to £nil. The fair value of the Secured Preference Loan Notes at 31 December 2020 has been assessed as £2.2m. No fair value adjustment has been required.

New Revolving Credit Facility agreement
In February 2021, LSL announced that it had entered into a new banking facility which runs to May 2024 with a new limit of £90m; this replaces the existing RCF, with maturity date of May 2022 and credit limit of £100m.

Formation of joint venture with Pollen Street Capital
On 23 April 2021, LSL announced the formation of the Pivotal Growth joint venture with Pollen Street Capital (PSC), a vehicle seeking to become a leading national mortgage broker. It is planned that at least £200m will be made available by way of equity and debt to fund acquisitions. LSL has committed up to £33.5m and PSC up to £62.4m to support the acquisitions to be made by Pivotal Growth. The investment by LSL and PSC will be supplemented with external debt finance in Pivotal Growth to fund purchases, with a view to an exit event over a three to six year period.

LSL and PSC will each invest up to £19.1m for a 47.8% equity share of Pivotal Growth. In addition, LSL will invest up to £14.4m and PSC up to £43.3m by way of loan notes. The commitments will be drawn down by Pivotal Growth over time dependent on the timing of acquisitions and the extent of external debt finance deployed. The LSL investment of up to £33.5m will be funded from LSL's existing cash resource and banking facilities.

LSL will apply equity accounting for its share of Pivotal Growth profits after tax and will also recognise loan note interest receivable, both to be included in the Underlying Operating Profit of the Financial Services Division. The value of the equity investment will be recognised in the LSL balance sheet as an investment in joint venture and the loan notes recognised in financial assets within non-current assets. In addition,

19. Events after the reporting period (continued)

the acquired companies membership of the PRIMIS network will generate further profit to the Group. The profile of profit attributable to LSL from Pivotal Growth will depend on the timing of acquisitions and before the execution of the first acquisition there will be a period of modest investment in Pivotal Growth's operating cost base. Thereafter, the profit contribution to LSL is expected to be material within two to three years, with the opportunity for a meaningful exit event within a three to six year period.

The current structure of the agreement provides that the amount due to LSL for its share of proceeds at exit is capped. This cap can be removed unilaterally by LSL with Shareholder consent, and LSL intends in due course to seek Shareholder approval to remove the cap.

As this is a newly established entity, Pivotal Growth has no gross assets or profits.

Simon Embley has been appointed Chief Executive of Pivotal Growth and will step down from his role of LSL Chair following the publication of the Group's 2020 results on 28 April 2021. The LSL Board has agreed to him investing up to £4m alongside PSC and LSL for a 4.4% share in the business. Simon will stay on the LSL Board as a Non Executive Director, allowing the Group to continue to benefit from his knowledge and experience. This position will be kept under review.

Five year agreement to provide digital and face-to-face mortgage and protection advice to The Property Franchise Group
In April 2021, LSL announced that it had reached a long term agreement with the UK's largest property franchisor, The Property Franchise Group plc (TPFG), to offer mortgage and protection advice services to all TPFG's franchisees, including those recently incorporated as a result of its combination with Hunters Property Ltd. The Property Franchise Group now has over 430 physical office locations, conducts the sale of circa 23,000 properties per annum and manages in excess of 73,000 tenanted properties.

The agreement is for a minimum of a five year period and means that LSL will be providing digital and face-to-face mortgage and protection advice to the customers of TPFG and TPFG's franchisees. TPFG franchisees will be provided with a range of options via LSL's award winning PRIMIS mortgage network. Franchisees will be offered the opportunity either to take on their own mortgage adviser and become an appointed representative of PRIMIS, or to refer their customers to existing PRIMIS appointed representatives, including LSL's in-house mortgage brokers.

This agreement underlines the opportunity for further growth of its Financial Services businesses, leveraging LSL's existing leading positions in the mortgage advice market. This contract will enhance the Financial Services Division profit after an initial 12 to 18 month investment period requiring one-off transition and integration costs.

Other Information

In this section

Definitions

"2011 EBT" employee benefit trust established in November 2011 as part of the acquisition of Marsh & Parsons.

"Adjusted Basic Earnings Per Share" or **"Adjusted Basic EPS"** is defined at Note 11 to the Group Financial Statements.

"Adjusted EBITDA" is Group Underlying Operating Profit (Note 5 to the Group Financial Statements) plus depreciation on property, plant and equipment.

"AGM" Annual General Meeting.

"Advance Mortgage Funding" Advance Mortgage Funding Limited.

"Albany" refers to Albany Insurance Company (Guernsey) Limited.

"AMI" Association of Mortgage Intermediaries.

"ARLA" or **"ARLA Propertymark"** Association of Residential Lettings Agents.

"ASA" Advertising Standards Authority.

"Asset Management" refers to LSL's repossessions, asset management and property management services for multi-property landlords.

"Audit & Risk Committee" LSL's Audit & Risk Committee.

"Auditor Independence Policy" LSL policy relating to non-audit services provided by the external auditor.

"Barclays" Barclays Bank PLC.

"Basic Earnings Per Share" or **"EPS"** is defined at Note 11 to the Group Financial Statements.

"Board"/**"Board of Directors"** the board of Directors of LSL.

"BAYE" Buy As You Earn (also referred to as SIP).

"BDS" BDS Mortgage Group Limited.

"CMA" Competition and Markets Authority.

"Committees" refers to LSL's Nominations Committee, the Audit & Risk Committee and the Remuneration Committee.

"Company" and **"Parent Company"** refers to LSL Property Services plc.

"Companies Act" Companies Act 2006.

"Corporate Governance Report" The Corporate Governance and Nominations Committee Report contained within this Report.

"Chairman" or **"Chair"** Simon Embley.

"Chair of the Audit & Risk Committee" Bill Shannon.

"Chair of the Nominations Committee" Simon Embley.

"Chair of the Remuneration Committee" Bill Shannon.

"Code" UK Code of Corporate Governance published by the Financial Reporting Council (FRC) (July 2018 edition).

"Company Secretary" Sapna B FitzGerald.

"CCAS" Consumer Codes Approval Scheme.

"CJRS" or **"Furlough"** Coronavirus Jobs Retention Scheme.

"CSOP" Company Share Ownership Plan.

"Data and Information Security Committee" or **"DISC"** LSL's Data and Information Security Committee.

"Davis Tate" trading name of Davis Tate Limited.

"Deputy Chair" Bill Shannon.

"Director" an Executive Director or Non Executive Director of LSL.

"Divisions" LSL's Financial Services, Surveying and Valuation Services and Estate Agency divisions.

"Direct Life and Pension Services" or **"Direct Life and Pensions"** Direct Life and Pension Services Limited.

"DPO" Data Protection Officer.

"EAP" Employee assistance programme.

"EBITDA" Earnings, Before Interest, Taxes, Depreciation and Amortisation.

"Elsevier" Elsevier Limited.

"Embrace Financial Services" Embrace Financial Services Limited.

"EPC" Energy Performance Certificate.

"EPS" Earnings Per Share.

"Ernst & Young" Ernst & Young LLP.

"ESG" Environmental, Social and Governance.

"ESOS" Energy Savings Opportunity Scheme.

"ESOT" LSL's employee share scheme.

"ESOT Trustees" Apex Financial Services (Trust Company) Limited.

"Estate Agency Division" or **"Estate Agency"** or **"EA"** in relation to financial years commencing 1 January 2019 onwards it includes LSL's Residential Sales, Lettings and Asset Management businesses.

"Estate Agency and Related Services" refers to LSL's Estate Agency Division.

"e.surv" or **"e.surv Chartered Surveyors"** trading names of e.surv Limited.

"Eveclo Holdings" Eveclo Holdings Limited.

"Executive Committee" Executive Committee of the Group, which includes the Executive Directors.

"Executive Director(s)" David Stewart, Adam Castleton and Helen Buck.

"EU" European Union.

"FCA" Financial Conduct Authority.

"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).

"First2Protect" First2Protect Limited.

"First Complete" First Complete Limited.

"Financial Statements" Financial Statements contained in this Report.

"FRC" Financial Reporting Council.

"Frosts" trading name of David Frost Estate Agents Limited.

"FSCS" Financial Services Compensation Scheme.

"FSMA" Financial Services and Markets Act 2000.

"General Data Protection Regulation" or **"GDPR"** UK General Data Protection Regulation.

"Global Property Ventures" or **"GPV"** Global Property Ventures Limited.

"Group First" or **"GFL"** Group First Limited.

"Group" LSL Property Services plc and its subsidiaries.

"Group Chief Executive Officer" David Stewart.

"Group Chief Financial Officer" Adam Castleton.

"Group Revenue" total revenue for the LSL Group.

"Goodfellows" trading name of GFEA Limited.

"Hawes" or **"Hawes & Co"** trading name of Hawes & Co Limited.

"HMRC" Her Majesty's Revenue and Customs.

"Homefast" 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.

"IBNR" Incurred But Not Reported.

"ICSA" ICSA: The Governance Institute.

"IFRS" International Financial Reporting Standards.

"Insurance First Brokers" Insurance First Brokers Ltd.

"Intercounty" trading name of ICIEA Limited.

"IPO" Initial Public Offering.

"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.

"Lawlors" trading name of Lawlors Property Services Limited.

"Legal Marketing Services", "LMS", "LMS Direct Conveyancing" or **"Cybele"** LMS Direct Conveyancing Limited and Cybele Solutions Holdings Limited.

"Lending Solutions" Lending Solutions Holdings Limited.

"Lettings" refers to LSL's residential property lettings and property management services.

"LexisNexis" part of the RELX Group plc.

"Linear" and **"Linear Financial Solutions"** are trading names of Linear Mortgage Network Limited.

"Lloyds Banking Group" Lloyd Bank plc group of companies.

"LPA" the Law of Property Act 1925.

"LSE" London Stock Exchange.

"LSLi" LSLi Limited and its subsidiary companies (during 2020 these included JNP, Intercounty, Frosts, Goodfellows, Davis Tate, Lauristons, Lawlors, Hawes & Co and Thomas Morris).

"LSL", "Group" and **"Parent Company"** refers to LSL Property Services plc and its subsidiaries.

"LSL Corporate Client Department" trading name of LSL Corporate Client Services Limited.

"LTIP" Long Term Incentive Plan.

"Management Team" senior management teams within the Group including the Executive Directors.

"MAR" the UK Market Abuse Regulation.

"Marsh & Parsons" trading name of Marsh & Parsons Limited.

"Mortgages First" Mortgages First Ltd.

"Mortgage Gym" Mortgage Gym Limited.

"NAEA" or **"NAEA Propertymark"** National Association of Estate Agents.

"NBC Property Master" NBC Property Master Limited.

"Net Bank Debt" see Note 33 to the Group Financial Statements.

"Non Executive Director" Gaby Appleton, Darrell Evans, Bill Shannon and Simon Embley.

"Notice of Meeting" the circular made available to Shareholders setting out details of the AGM.

"Note" refers to Notes to the Group Financial Statements.

"OCI" refers to other comprehensive income.

"Openwork" trading name of Openwork Limited.

"Ordinary Shares" or **"Shares"** 0.2 pence ordinary shares in LSL.

"Palmer and Harvey" trading name of Palmer & Harvey McLane Limited.

"PDMRs" Persons Discharging Managerial Responsibility as defined in Article 3(1) (25) of UK MAR.

"Personal Touch Financial Services" or **"PTFS"** Personal Touch Financial Services Limited.

"Personal Touch Administration Services" or **"PTAS"** Personal Touch Administrations Services Limited.

"Pivotal Growth" Pivotal Growth Limited.

"PI" professional indemnity.

"PI Costs" costs relating to ongoing and expected future PI claims relating to Surveying and Valuation Services.

"PRIMIS Mortgage Network" or **"PRIMIS"** a trading name of Advance Mortgage Funding Limited, First Complete Limited and Personal Touch Financial Services Limited.

"RCF" Revolving Credit Facility.

"Reeds Rains" trading name of Reeds Rains Limited.

"Registered Office" Newcastle House, Albany Court, Newcastle Business Park, Newcastle upon Tyne, NE4 7YB.

"RELX" RELX Group plc.

"Report" LSL's Annual Report and Accounts 2020.

"Residential Sales" refers to LSL's services for residential property sales.

"RICS" Royal Institution of Chartered Surveyors.

"Road to Health" RoadtoHealth Group Ltd.

"RSC New Homes" or **"RSC"** RSC New Homes Limited.

"Sainsbury's" Sainsbury's Supermarkets Limited.

"SAYE" Save As You Earn.

"Senior Independent Non Executive Director" Bill Shannon.

"Shareholders" shareholders of LSL.

"SIP" Share Incentive Plan (also referred to as BAYE).

"St Trinity Asset Management" trading name of St Trinity Limited.

"Surveying Division" or **"Surveying"** refers to LSL's Surveying and Valuation Services businesses.

"Surveying and Valuation Services" or **"Surveying Services"** refers to LSL's Surveying Division.

"Templeton" trading name of Templeton LPA Limited.

"The Property Franchise Group" The Property Franchise Group PLC.

"Thomas Morris" trading name of Thomas Morris Limited.

"The Mortgage Alliance" or **"TMA"** are trading names of Advance Mortgage Funding Limited's mortgage club.

"TM Group" TM Group Limited.

"Toolbox" PRIMIS's end-to-end customer services platform.

"TPO" The Property Ombudsman.

"TPOS" The Property Ombudsman Scheme.

"Trust" LSL's SIP trust.

"Trustees" Link Market Services (Trustees) Limited.

"TSI" Trading Standards Institute.

"TSR" Total Shareholder Return.

"UKLA" UK Listing Authority.

"Underlying Operating Margin" operating profit before exceptional costs, contingent consideration, amortisation and share-based payments shown as a percentage of turnover.

"Underlying Operating Profit/Loss" before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments.

"VEM" or **"Vibrant Energy Matters"** Vibrant Energy Matters Limited.

"Walker Fraser Steele" a trading name of e.surv Limited.

"Yopa" Yopa Property Limited.

"Your Move" trading name of your-move.co.uk Limited.

"Zero Deposit Scheme" or **"ZDS"** trading names of Global Property Ventures Limited.

"Zoopla" or **"ZPG"** ZPG Limited (previously ZPG plc).

Shareholder 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
2nd Floor, Gateway 2, Holgate Park Drive, York, YO26 4GB
Telephone: 01904 698852

Share listing
LSL Property Services plc 0.2 pence Ordinary Shares are listed on the London Stock Exchange under ISIN GB00BIG5HX72

Registrar
Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL
Telephone: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom 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.

Calendar of events

Preliminary results released	**28 April 2021**
AGM proxy form deadline	**21 June 2021**
AGM	**23 June 2021**

The AGM will be held at Hilton London Paddington, London W2 1EE at 1pm. The Notice of Meeting details the proposed resolutions.

In accordance with its Articles of Association, LSL publishes Shareholder information, including notice of AGMs and the Annual Report and Accounts on its website, lslps.co.uk. Reducing the number of communications sent by post not only results in cost savings to LSL, it also reduces the impact that unnecessary printing and distribution of reports has on the environment.

LSL's Articles of Association enable all communications between Shareholders and LSL to be made in electronic form (as permitted by the Companies Act 2006). Documents will be supplied via LSL's 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
By their nature, all forward looking statements involve risk and uncertainty because they relate to future events and circumstances and are subject to assumptions that are beyond the control of LSL including, amongst other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates, inflation, deflation, the impact of competition, changes in customer preferences, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities and the impact of tax or other legislation and other regulations in the UK. As a result LSL's actual future condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward looking statements. Nothing in this Report is intended to or should be construed as a profit forecast. Information about the management of the Principal Risks and Uncertainties facing LSL is set out within the Strategic Report on pages 35 to 42.

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

lslps.co.uk

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Albany Court
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LSL Property Services plc