LSL Property Services plc

Final Results 2020 & Strategic Update

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LSL Property Services plc ("LSL" or "The Group")

FINAL RESULTS, VERY STRONG TRADING IN Q1, 2021, RESUMPTION OF GUIDANCE AND REINSTATEMENT OF DIVIDEND POLICY

LSL reports highly resilient full year financial results for the year ended 31 December 2020, followed in the first quarter of 2021 by very strong financial performance and trading momentum. LSL also sets out its strategic roadmap, with financial services at the forefront, recommences guidance, with an improved growth profile, and reinstates its dividend policy.

KEY HIGHLIGHTS

In an exceptional year dominated by the unprecedented impact of COVID-19, LSL delivered a highly resilient 2020 financial performance

- Group Underlying Operating Profit[1] (pre COVID-19 costs) increased to £41.5m (2019: £37.0m)
- Group Underlying Operating Profit (post COVID-19 costs) of £35.2m
- Profit before tax increased by 31% to £20.9m
- Historically low reported Net Bank Debt[2] at 31 December 2020 of £1.6m (2019: £41.9m)

Underlying Operating Profit supported by further growth and focus on Financial Services, and strong H2 recovery across all divisions following the end of the first COVID-19 "lockdown"

- Financial Services Division Underlying Operating Profit[1] (pre COVID-19 costs) increased 16% to £13.5m
- LSL mortgage completion lending increased 3% to £32.6bn, with a total market share increased to 9%[3]
- Total financial advisers grew by 8% to 2,585 (2019: 2,392)
- Surveying Division performance recovered strongly from the lockdown in H1, with Underlying Operating Profit[1] (pre COVID-19 costs) up 30% in H2, to leave full year profit (pre COVID-19 costs) up 9%
- Estate Agency Division Underlying Operating Profit[1] (pre COVID-19 costs) increased by 8%. After being materially impacted in H1 by COVID-19, performance recovered quickly in H2, with the residential exchange pipeline at 31 December 2020 more than 65% above the same date in 2019

Significant progress in developing and executing clear Financial Services led growth strategy supported by strong balance sheet

- Strategic roadmap set out, with focus on significant growth opportunities in Financial Services
- Announcement on 27 April 2021 of five-year agreement to provide digital and face-to-face mortgage and protection advice to The Property Franchise Group plc's expanded network of over 430 physical office locations

- Announcement on 23 April 2021 of up to £200m to be invested by Pivotal Growth joint venture with Pollen Street Capital as part of LSL's strategy to develop a pre-eminent position in the mortgage intermediary market
- Announcement on 11 February 2021 of the acquisitions of the business and assets of Mortgage Gym Limited and a 60% stake in Direct Life Quote Holdings Limited, as part of LSL's digital strategy to drive significant growth in mortgage and protection business
- Senior appointments made to improve management bench strength
- Announcement on 24 February 2021 of new banking facility, with a maturity date of May 2024, which will give the Group balance sheet flexibility to take advantage of attractive opportunities in the market, particularly in financial services

Very strong financial performance in the first quarter of 2021, building on the positive trading in 2020

- Group Underlying Operating Profit for Q1 2021 was £13.1m, significantly higher than comparative periods for 2019 of £2.1m and 2020 of £3.4m, benefiting materially from strong trading conditions, the conversion of the larger pipelines, cost control, including the reshaping of the LSL Estate Agency networks during Q1 2019
- Each of LSL's Divisions delivered material increases in financial performance in Q1 2021 compared to the same periods in 2019 and 2020
- Mortgage completions for Q1 2021 increased to £9.3bn, ahead of 2019 and 2020 by 29% and 22% respectively
- Financial adviser numbers have grown strongly, with an increase of 4% since 31 December 2020, and 14% year-on-year as at 31 March 2021. The pipeline of advisers also increased further over the significant pipeline at 31 December 2020
- Surveying revenue in Q1 increased by 4% compared to 2019, and 5% compared to 2020. There was a significant ramp up of activity as the quarter progressed, with revenue in March 2021 up 13% compared to the same month in 2019, and up 28% compared to COVID-19 impacted March 2020
- Estate Agency like-for-like Residential Sales exchange income in Q1 2021 was up by 57% on 2019 and 61% on 2020, as very strong pipelines converted
- The Residential Sales exchange pipeline remained very strong at the end of the quarter, at 48% more than 2019 and 25% more than 2020 at the same comparable date and remains almost unchanged from the large pipeline reported at 31 December 2020
- Marsh & Parsons performed strongly, with total revenue in Q1 up 18% over 2019 and up 13% compared to 2020
- Net Bank Debt at 31 March 2021 was £8.3m (2020: £42.1m). Adjusting for COVID-19 related deferrals, mainly in relation to VAT, the underlying Net Debt position was approximately £17m

The Board is reassured by the resilience of the Group's businesses and, encouraged by continued strong trading in April, is restarting guidance 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

- Continued very strong front-end sales metrics in each of LSL's three Divisions in April 2021, ahead of internal expectations and 2019 (comparisons to 2020 are not meaningful given the lockdown at that time)
- PRIMIS mortgage applications in April are tracking significantly ahead of 2019 and 2020
- 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
- By 2023, for the first time, we expect the Financial Services Division to be the largest profit contributor to the Group
- The dividend policy has been reinstated and rebased, with an expected pay-out of 30% of Underlying Operating Profit after finance charges and normalised taxation. No final dividend declared for 2020.
- This guidance assumes no material new impact on markets from any re-emergence of the COVID-19 virus

Commenting on today's announcement, David Stewart, Group Chief Executive, said:

"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, in which

Financial Services will be our chief engine of growth and enhanced profitability.

"Our PRIMIS network is one of the leading service providers to mortgage intermediaries, whilst our heritage provides us with deep expertise in the provision of mortgage and protection advice to estate agency customers. The Group has invested significantly in its digital capability, which was enhanced further by the recent acquisitions of Mortgage Gym and Direct Life and Pension Services, and we now have industry-leading technology available. These factors combined to make LSL a compelling partner for Pollen Street Capital and The Property Franchise Group plc, in two recently announced strategic initiatives that we expect to deliver significant value for our Shareholders.

"However, I would add that we have been equally encouraged by the excellent performance of our Estate Agency and Surveying businesses. In Estate Agency we are exceptionally well placed to benefit from the current strong market, having increased our market share since the end of the lockdown. Our Surveying business is similarly performing extremely well, with opportunities to broaden its product set to lenders and customers.

"This progress could not have been made without the hard work and commitment of colleagues working across the Group and I would like to thank them for their exceptional effort and support.

"With current market conditions supporting growth in all of our businesses, I believe LSL is exceptionally well-positioned to continue to grow both organically and via acquisition and we look forward to the future with confidence."

	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 COVID19 costs (%)	**15.6**	11.9	+370 bps
Group Underlying Operating Profit - post COVID-19 costs[1]	**35.2**	37.0	-5
Operating Margin - post COVID19 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[4] (pence)	**15.9**	12.6	+26
Adjusted Basic Earnings Per Share[4] - (pence)	**31.9**	28.0	+14
Net Bank Debt[2] at 31 December	**1.6**	41.9	nm
Gearing ratio[5] at 31 December (times)	**0.03**	0.81	nm
Final proposed Dividend (pence)	**nil**	-	nm
Full year Dividend (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 6 of the financial statements). Segment Underlying Operating Profit is stated on the same basis as Group Underlying Operating profit.
2 Refer to Note 11 to the Financial Statements for the calculation
3 Market share excludes Product Transfers
4 Refer to Note 6 of the Financial Statements for the calculation
5 Gearing ratio is defined as Net Bank Debt divided by Group Adjusted EBITDA (refer to Note 5 of the Financial Statements)

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Notes on LSL

LSL is one of the largest providers of services to mortgage intermediaries and mortgage and protection advice to estate agency customers, completing £32.6bn of mortgages in 2020. It represents approximately 9% of the total purchase and remortgage market with around 2,600 financial advisers. It was named Mortgage Network of the Year by both Moneyfacts and Mortgage Introducer in their 2020 awards, as well as Best Network 300+ ARs by Mortgage Strategy.

e.surv is one of the UK's largest provider of surveying and valuation services, supplying seven out of the ten largest lenders in the UK, employing over 500 operational surveyors, and performing over 500,000 valuation and surveys per annum for key lender clients. It was named Best Surveyor/Valuer at the 2020 Mortgage Strategy awards.

LSL operates a network of 226 owned and 130 franchised estate agency branches, with brands that include Your Move, Reeds Rains and Marsh & Parsons. For further information please visit LSL's website: lslps.co.uk

PRIMIS is the trading style of First Complete Limited, Personal Touch Financial Services Limited and Advance Mortgage Funding Limited which are all authorised and regulated by the Financial Conduct Authority.

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 DLPS 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 Operational and Finance Reviews contained in this announcement. 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 the Annual Report & Accounts 2020. I would particularly like to highlight the launch of our Inclusivity & Diversity and Community forums, which both form part of our overall Staff Engagement Programme. Our Inclusivity & 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 & Diversity Chair and Sapna Bedi FitzGerald (Company Secretary & General Counsel) the Communities 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 & 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.

David Stewart
Group Chief Executive Officer
28 April 2021

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 network 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 & 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 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 last year, 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 proposition and offering survey products in its Financial Services business

In Estate Agency LSL offices 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. Implement New 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.

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 pay-out 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.

Notes:
1 Intermediary Mortgage Lenders Association's ("IMLA) current estimate of gross new lending for 2021 - January 2021

Business Reviews

Group Summary

Group Financials Summary	H1			H2			FY		
	2020	2019	Var	2020	2019	Var	2020	2019	Var
P&L (£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)									
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)									
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 5 of the 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 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 c.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-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

Financial Services Division

Financial Services: Financials Summary	H1			H2			FY		
	2020	2019	Var	2020	2019	Var	2020	2019	Var
P&L (£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									
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 completions 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 10 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 & 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 representatives 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 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 Home 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 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's)
Year Ended 31 December

	2020	2019	YoY
Intermediary Network	31.3	33.5	-7%
Direct to Consumer	28.2	35.4	-20%
New Build Home	11.4	14.4	-21%
Total Group FS Revenue	**70.8**	**83.4**	**-15%**
Less: EA 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 & 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 & 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

Surveying Division

Surveying: Financials Summary	H1			H2			FY		
	2020	2019	Var	2020	2019	Var	2020	2019	Var
P&L (£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 Division

Estate Agency: Financials Summary	**H1**			**H2**			**FY**		
	2020	**2019**	**Var**	**2020**	**2019**	**Var**	**2020**	**2019**	**Var**
P&L (£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 & 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]	2.4	4.0	(40)%	9.7	10.4	(7)%	12.1	14.5	(16)%

(post COVID-19 costs)									
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 Embrace 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 Embrace 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 Review

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[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 previously 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 £90 million 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 6 to the Financial Statements)

2 Refer to Note 6 to the Financial Statements

3 Refer to Note 11 to the 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 Financial Statements)

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

Group Income Statement

for the year ended 31 December 2020

Continuing Operations	Note	**2020 £'000**	2019 £'000
Revenue	3, 4	**266,742**	311,073
Operating expenditure:			
Employee and subcontractor costs		**(162,455)**	(194,207)
Establishment costs		**(9,528)**	(10,367)
Depreciation on property, plant and equipment		**(13,929)**	(14,842)
Other operating costs		**(46,938)**	(56,098)
		(232,850)	(275,514)
Other operating income		**783**	887
Gain on sale of property, plant and equipment		**15**	148
Income from joint ventures and associates		**493**	441
Share-based payments		**(18)**	(312)
Amortisation of intangible assets		**(5,395)**	(5,786)
Exceptional gains	7	**674**	2,487
Exceptional costs	7	**(7,076)**	(15,730)
Contingent consideration		**544**	2,054
Group operating profit		**23,912**	19,748

Finance costs		**(3,134)**	(3,744)
Finance Income		**144**	10
Net financial costs		**(2,990)**	(3,734)
Profit before tax		**20,922**	16,014
Taxation charge	9	**(4,596)**	(3,045)
Profit before tax		**16,326**	12,969
Earnings per share expressed in pence per share:			
Basic	6	**15.9**	12.6
Diluted	6	**15.7**	12.6

Group Statement of Comprehensive Income
for the year ended 31st December 2020

	2020 £'000	2019 £'000
Profit for the period	**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	**-**	(3,558)
	-	(3,558)
Total other comprehensive income / (loss) for the year, net of tax	**-**	(3,558)
Total comprehensive income, net of tax	**16,326**	9,411

Group Balance Sheet
as at 31 December 2020

	Note	**2020 £'000**	2019 £'000
Non-current assets			
Goodwill		**159,863**	159,863
Other intangible assets		**27,894**	30,906
Property, plant and equipment		**42,741**	49,570
Financial assets		**9,561**	9,326
Investments in joint ventures and associates		**11,406**	12,958
Contract assets		**433**	686
Total non-current assets		**251,898**	263,309
Current assets			
Trade and other receivables		**28,438**	34,391
Contract assets		**253**	253
Current tax asset		**184**	-
Cash and cash equivalents		**11,443**	-
Total current assets		**40,318**	34,644
Total assets		**292,216**	297,953
Current liabilities			
Financial liabilities		**(12,466)**	(11,113)
Trade and other payables	10	**(72,936)**	(60,007)
Current tax liabilities		**-**	(1,209)

Provisions for liabilities	**(2,998)**	(3,575)
Total current liabilities	**(88,400)**	(75,904)
Non-current liabilities		
Financial liabilities	**(40,060)**	(73,951)
Deferred tax liability	**(1,822)**	(1,805)
Provisions for liabilities	**(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	**210**	208
Share premium account	**5,629**	5,629
Share-based payment reserve	**3,942**	4,429
Shares held by EBT	**(5,012)**	(5,224)
Fair value reserve	**(13,584)**	(13,584)
Retained earnings	**166,569**	149,758
Total equity	**157,754**	141,216

Group Cash Flow Statement
for the year ended 31 December 2020

	Note	**2020**	2019
		£'000	£'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		**5,395**	5,786
Share-based payments		**18**	312
Profit on disposal of fixed assets		**(15)**	(148)
Profit from joint ventures		**(493)**	(441)
Finance income		**(144)**	(10)
Finance costs		**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		**(293)**	(2,711)
Payment of contingent consideration		**(169)**	(7,890)
Investment in financial assets		**(418)**	(2,783)
Cash received on sale of financial assets		**-**	1,765
Purchase of property, plant and equipment and intangible		**(4,050)**	(4,892)

assets		
Proceeds from sale of property, plant and equipment	**138**	367
Net cash (expended) on investing activities	**(4,792)**	(16,144)
(Repayment) / drawdown of loans	**(28,883)**	7,383
Payment of deferred consideration	**(80)**	(2,009)
Payments of lease liabilities	**(8,304)**	(9,761)
Receipt of lease Income	**23**	76
Proceeds from the exercise of share options	**176**	26
Dividends paid	**-**	(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**	-

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.

Group Statement of changes in equity
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	**208**	**5,629**	**4,129**	**(5,261)**	**(11,727)**	**149,683**	**142,661**
Other comprehensive income for the year							
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.

Notes to the Preliminary Results Announcement

The financial information in this Preliminary Results Announcement does not constitute LSL's statutory financial statements for the year ended 31 December 2020 but has been extracted from the *Financial Statements* included in *Annual Report and Accounts 2020* and as such, does not contain all information required to be disclosed in the financial statements prepared in accordance with IFRS.

Statutory financial statements for this year will be filed following the 2021 AGM and will be available on LSL's website: lslps.co.uk. The auditors have reported on these Financial Statements. Their report was unqualified and did not contain a statement under section 498 (2), (3) or (4) of the Companies Act 2006.

1. Directors' responsibility statement

Each of the current Directors confirms that, to the best of their knowledge, the Financial Statements, prepared in accordance with IFRS as adopted by EU standards, give a fair, balanced and understandable view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

2. Basis of preparation

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 accounting policies applied by the Group in these consolidated preliminary results are the same as those applied by the Group in the LSL annual Financial Statements for the year ended 31st December 2019. 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.

Going Concern

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* in the *Annual Report and Accounts 2020*.

3. Revenue

The Group's operations and main revenue streams are those described in the latest Annual Financial Statements.

Disaggregation of Revenue

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

	Year ended 31 December 2020					
	Financial Services £'000	Surveying and Residential Sales	Lettings	Asset Management	Other £'000	Total £'000

		Valuation Services £'000	exchange £'000	£'000	£'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

LSL reports three 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 a valuations and professional surveying service 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

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 income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Reportable segments

The following tables presents revenue and profit information regarding the Group's operating segments for the financial year ended 31 December 2020 and the financial year ended 31 December 2019.

Year ended 31 December 2020

Income Statement information	**Financial Services**	**Surveying and Valuation Services**	**Estate Agency**	**Unallocated**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue from external customers	70,845	77,125	118,772	-	**266,742**
Introducer's 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**

Group Underlying Operating Profit is as defined in note 6 to these condensed financial statements

The joint venture interests of the Group are recorded in the Estate Agency segment, with the associate interest recorded in the Financial Services.

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.

Year ended 31 December 2019

Income Statement information	**Financial Services**	**Surveying and Valuation Services**	**Estate Agency**	**Unallocated**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue from external customers	83,353	86,358	141,362	-	**311,073**
Introducer's 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 / (loss)	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**

Group Underlying Operating Profit is as defined in note 6 to these condensed financial statements

The joint venture interests of the Group are recorded in the Estate Agency and Related Services segment, with the associate interest recorded in the Financial Services.

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).

5. 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 sure 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 homeworking. 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 amortisation of intangible assets is not representative of the underlying costs of the business and is therefore excluded from adjusted earnings.

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 Management'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 6 to these Condensed Consolidated Group Financial Statements and a reconciliation of Group Underlying Operating Profit is shown below:

	2020 £'000	2019 £'000
Group operating profit	**23,912**	19,748
Share-based payments	**18**	312
Amortisation of intangible assets	**5,395**	5,786
Exceptional gains	**(674)**	(2,487)
Exceptional costs	**7,076**	15,730

Contingent consideration credit / (charge)	**(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 depreciation 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

	2020 £'000	2019 £'000
Group Underlying Operating Profit post COVID-19 costs	**35,183**	37,035
Depreciation on property, plant, and equipment	**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. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the period.

Diluted EPS amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period 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.

	Profit after tax £'000	**Weighted average number of Shares**	**2020 Per Share amount Pence**	Profit after tax £'000	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

Adjusted basic and diluted EPS

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 pre COVID-19 costs	**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

	Adjusted	**Weighted**	**2020**	Adjusted	Weighted	2019

	profit after tax £'000	**average number of Shares**	**Per Share amount Pence**	profit after tax £'000	average number of Shares	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

This represents adjusted profit after tax attributable to equity holders of the parent. Tax has been adjusted to exclude the prior year tax adjustments, and the tax impact of exceptional items, amortisation, share-based payments and costs related to COVID-19. The effective tax rate used is 19.00% (31 December 2019: 19.00%)

7. 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.

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 Limited, 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.

8. Dividends paid and proposed

No final dividend in respect of the year ended 31 December 2020 (Year ended December 2019: nil) is declared.

9. Taxation

The major components of income tax charge in the interim Group income statements are:

	2020 £'000	2019 £'000
UK corporation tax:		
- current year credit / (charge)	**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)
	(106)	(892)
Total tax credit / (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 rate 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).

10. 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 the Management team's best estimate of future clawed back commission on life assurance policies, taking into account historic lapse rates in each subsidiary.

11. Analysis of Net Bank Debt

	2020	2019
	£'000	£'000
Interest bearing loans and borrowings (including loan notes, overdraft, IFRS16 lease liabilities, contingent and deferred consideration		
- Current	**12,466**	11,113
- Non-current	**40,060**	73,951
	52,526	85,064
Unsecured loan notes	**-**	(65)
Less: cash and short-term deposits	**(11,443)**	-
IFRS 16 Lessee financial liabilities	**(33,957)**	(37,232)
Less: deferred and contingent consideration	**(5,569)**	(5,884)
Net Bank Debt at the end of the period	**1,557**	41,883

12. Events after the reporting period

Acquisition of Direct Life & Pensions Services Limited
In January 2021, LSL acquired the 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 (DLPS). DLPS 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 Limited 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 groups carrying value of Mortgage Gym to £nil (see note 7). 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, 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 2-3 years, with the opportunity for a meaningful exit event within a 3-6 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, who was LSL's Non-Executive Chair prior to 28 April 2021, has been appointed Chief Executive of Pivotal Growth and has stepped down from this 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 12-18 month investment period requiring one-off transition and integration costs.

Forward Looking Statement

This announcement may contain certain statements that are forward-looking statements. They appear in a number of places throughout this announcement and include statements regarding LSL's intentions, beliefs or current expectations and those of its officers, directors and employees concerning, amongst other things, LSL's results of operations, financial condition, liquidity, prospects, growth, strategies and the business it operates. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this update and, unless otherwise required by applicable law, LSL undertakes no obligation to update or revise these forward looking statements. Nothing in this update should be construed as a profit forecast. LSL and its Directors accept no liability to third parties in respect of this update save as would arise under English law. Any forward-looking statements in this announcement speak only at the date of this announcement 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 update.

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