

Company Registration No. 02568254 (England and Wales)

REEDS RAINS LIMITED
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



REEDS RAINS LIMITED COMPANY INFORMATION

Directors

O T Blake
P Hardy (resigned 1st March 2021)
P Bisset (appointed 1st March 2021)
A R Castleton (resigned 16th December 2021)
H E Buck
JC McAuley (resigned 1st September 2021)
S Cox (resigned 25th February 2021)

Secretary

S Bedi Fitzgerald

Company number

02568254

Registered office

Howard House
3 St Mary's Court
Blossom Street
York
England
YO24 1AH

Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Bankers

Barclays Bank PLC
York Area Group
1,2 & 3 Parliament Street
York
YO1 8XD

REEDS RAINS LIMITED

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REEDS RAINS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Review of the business

The company made an operating profit of £1,258,000 against an operating profit in 2020 of £1,283,000. The company's key financial and other performance indicators during the year were as follows:-

	2021	2020	Change	Change %
Revenue (£'000)	27,502	22,294	5,208	23.4%
Operating profit before exceptional items (£'000)	1,236	1,168	68	5.8%
Operating profit margin before exceptional items (%)	4.4	5.2	(0.8)	(15.4%)
Adjusted EBITDA (£'000)	5,001	3,073	1,928	62.7%
Number of owned branches	55	55	-	-
Number of franchised branches	49	49	-	-

Revenue increased by 23.4% and operating profit by 5.8% during the year which was due to less closure of the branch network than during national lockdowns in 2020 and stamp duty incentives in the housing market in 2021. In the adjusted EBITDA where the impact of the impairment of investments of £1,081,000 is stripped out of the result, the earnings increase is shown to a greater extent than at operating profit.

Principal risks and uncertainties

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

- The volume of house sales and the Company's revenue and profitability could be adversely affected by the following external factors: the housing market; customer behaviour; competition from other estate agents and changes in legislation.
- The Company's results could also be affected by the following internal factors: failure to recruit or retain key staff; failure of information systems; failure to comply with relevant legislation or failure of the franchise model or a number of the franchisees;
- The Company's results could be affected by poor acquisition selection which could lead to a loss of value. In addition a failure to properly integrate acquisitions could lead to operational and financial difficulties;

Future developments

The business will continue to develop counter cyclical income streams and to assess opportunities along the value chain which will strengthen the ability of the estate agency business to trade successfully through market downturns. Lettings and financial services have grown over the last year and there is continued focus on these growth areas. The business continues to manage closely the costs and the fee charged for property sales.

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Peter Bisset

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P Bisset

Director

Date 18th August 2022

REEDS RAINS LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

Principal activities

The principal activity of the company is the provision of estate agency services and related activities. The directors consider that this will continue unchanged for the foreseeable future.

Going concern

The net asset position of the Company at 31 December 2021 is £3,904,000 (2020: £3,943,000). The company has made a profit for the year and is in a net current assets position of £1,582,000 (2020: £187,000).

The Company participates in the Group's centralised treasury management and so shares banking arrangements with its fellow subsidiaries. LSL Property Services Plc is a listed entity in the UK. In determining whether the financial statements can be prepared on a going concern basis, the Directors have considered the Company's business activities together with the principal risk and uncertainty factors which are likely to affect its future performance and financial position. The key risks that the Company faces are described in the Strategic/Directors Report and mainly relate to the current UK Market Environment, competition, and external factors such as the geopolitical uncertainties adding to existing inflationary cost pressures.

The directors have tested the going concern ability of the company for a period to 18 August 2023. Forecasts prepared to 18 August 2023 demonstrate that the Company is forecast to trade profitably and generate cash, taking into account the risks explained above. These forecasts have been constructed on a base case scenario and further on downside scenarios with conservative assumptions including the worst possible trading outcomes. The continuing support of the Group Company and the cash-pooling arrangement is also a factor in the going concern review. Consequently, the Company has obtained a letter of support from the parent company confirming that it will provide financial support to the Company for a period to 18 August 2023 to assist in meeting its liabilities to the extent that the money is not otherwise available to the company to meet such liabilities. The Directors have assessed the level of financial support available, taking into account the Company's financial plan and cash flow forecast for the period to 18 August 2023 and are satisfied such support is available.

Dividends

A dividend of £1.0m was paid during the year (2020: £2.0m)

Directors

The following directors have held office since 1 January 2021:

O T Blake
P Hardy (resigned 1st March 2021)
P Bisset (appointed 1st March 2021)
A R Castleton (resigned 16th December 2021)
H E Buck
JC McAuley (resigned 1st September 2021)
S Cox (resigned 25th February 2021)

Political donations

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

Employee involvement

Employees are informed regularly about aspects of the business and its progress, which the Company considers are relevant to them. The Company operates a personnel policy, which ensures that employees are consulted and involved in decisions, which affect them and their jobs. The Company endeavours to encourage employees to maintain a sense of identity with its aims and objectives.

Disabled persons

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

REEDS RAINS LIMITED DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Financial instruments

Liquidity risk

The Treasury Department in the ultimate parent company managed the liquidity risk in the group, in which they monitor the cash flow position of the company to prevent shortage of funds to meet liabilities when they fall due.

Credit risk

There are no significant concentrations of credit risk within the company. The company is exposed to a credit risk in respect to revenue transactions (i.e. revenue from customers). It is the Company policy to obtain appropriate details of new customers before entering into contracts. The majority of the customers use the Company's services as part of a house sale transaction and consequently the debt is paid from the proceeds realised from the sale of the house by the vendor's solicitors before the balance of funds is transferred to the vendor.

Independent auditors

The auditors Ernst & Young LLP have indicated their willingness to remain in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

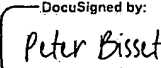
- Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 Reduced Disclosure Framework (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

DocuSigned by:

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P Bisset

Director

Date 18th August 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REEDS RAINS LIMITED

Opinion

We have audited the financial statements of Reeds Rains Limited for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 18 August 2023.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REEDS RAINS LIMITED (CONTINUED)

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REEDS RAINS LIMITED (CONTINUED)

- We understood how Reeds Rains Limited is complying with those frameworks making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated the results of our enquiries through reading the board minutes and other correspondence, making inquiries of management to identify if there are matters where there is a risk of breach of such frameworks that could have a material impact on the company. We understood controls put in place by management to reduce the opportunities for fraudulent transactions.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by internal EY team wide conversations and discussions, discussions with management from various parts of the business to understand where they considered there was susceptibility to fraud and what entity level controls are in place. We also identified the existence of performance targets and their potential influence on management to manage earnings by manipulating revenue. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with the laws and regulations and frameworks identified above and to respond to the assessed risks. Our procedures included: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions; enquiries of company management; and challenging the assumptions and judgements made by management by agreeing to supporting third party evidence wherever possible. We also leveraged our data analytics platform to review the entire population of journals to assist in identifying specific transactions to test being those that did not meet certain criteria. The results of our procedures did not identify any instances of irregularities, including fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Mark Morritt (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
22 August 2022

REEDS RAINS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Revenue	3	27,502	22,294
Administrative expenses		(26,594)	(21,382)
Gross profit		908	912
Other operating income		328	256
Exceptional Items	4	-	115
Contingent consideration	18	22	-
Operating profit	5	1,258	1,283
Finance charge	9	(96)	(136)
Profit before taxation		1,162	1,147
Income tax expense	10	(300)	(268)
Profit for the year		862	879

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

Statement of Comprehensive Income

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

REEDS RAINS LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	11	1,165	1,368
Property, plant and equipment	12	1,820	2,265
Investments	14	-	1,081
Deferred tax asset	10	288	277
		<u>3,273</u>	<u>4,991</u>
Current assets			
Trade and other receivables	15	6,376	6,193
Cash at bank and in hand		1,163	414
		<u>7,539</u>	<u>6,607</u>
Total assets		<u>10,812</u>	<u>11,598</u>
Current liabilities			
Trade and other payables	16	(5,268)	(5,392)
Financial liabilities	18	(671)	(999)
Provisions	19	(18)	(29)
		<u>(5,957)</u>	<u>(6,420)</u>
Non-current liabilities			
Financial liabilities	18	(939)	(1,205)
Provisions	19	(12)	(30)
		<u>(951)</u>	<u>(1,235)</u>
Total liabilities		<u>(6,908)</u>	<u>(7,655)</u>
Net assets		<u>3,904</u>	<u>3,943</u>
Shareholder's equity			
Share capital	20	86	86
Share based payment reserve	22	261	229
Share premium reserve	22	48	48
Capital redemption reserve	22	1,000	1,000
Retained earnings		2,509	2,580
Total shareholder's equity		<u>3,904</u>	<u>3,943</u>

Approved by the Board and authorised for issue on 18th August 2022

DocuSigned by:

Peter Bisset

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P Bisset

Director

Company Registration No. 02568254

REEDS RAINS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Share based payment reserve £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
At 1 January 2020	86	258	48	1,000	3,663	5,055
Profit for the year	-	-	-	-	879	879
Total comprehensive income for the year	-	-	-	-	879	879
Dividend paid	-	-	-	-	(2,000)	(2,000)
Share-based payment transactions	-	-	-	-	38	38
Shares exercised	-	(29)	-	-	-	(29)
At 31 December 2020	86	229	48	1,000	2,580	3,943
Profit for the year	-	-	-	-	862	862
Total comprehensive income for the year	-	-	-	-	862	862
Dividend paid	-	-	-	-	(1,000)	(1,000)
Share-based payment transactions	-	17	-	-	67	84
Shares exercised	-	15	-	-	-	15
At 31 December 2021	86	261	48	1,000	2,509	3,904

REEDS RAINS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Corporate information

Reeds Rains Limited is a private company limited by share capital incorporated in England.

The financial statements of the Company for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 18th August 2022.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention except for some financial liabilities measured at fair value.

The Company's financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand (£'000) except when otherwise indicated. The Company's financial statements are individual entity financial statements.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of LSL Property Services plc.

2 Accounting policies

2.1 Basis of preparation

The Company has prepared primary statements in accordance with IAS 1 Presentation of Financial Statements.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because: the share based payment arrangement concerns the instruments of another group entity;
- (b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- (c) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (d) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (f) the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D and 134-136 of IAS 1 Presentation of Financial Statements;
- (g) the requirements of IAS 7 Statement of Cash Flows;
- (h) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (i) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (j) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (k) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- (l) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- (m) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

REEDS RAINS LIMITED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 Accounting policies (continued)

Going concern

The net asset position of the Company at 31 December 2021 is £3,904,000 (2020: £3,943,000). The company has made a profit for the year and is in a net current assets position of £1,582,000 (2020: £187,000).

The Company participates in the Group's centralised treasury management and so shares banking arrangements with its fellow subsidiaries. LSL Property Services Plc is a listed entity in the UK. In determining whether the financial statements can be prepared on a going concern basis, the Directors have considered the Company's business activities together with the principal risk and uncertainty factors which are likely to affect its future performance and financial position. The key risks that the Company faces are described in the Strategic/Directors Report and mainly relate to the current UK Market Environment, competition, and external factors such as the geopolitical uncertainties adding to existing inflationary cost pressures.

The directors have tested the going concern ability of the company for a period to 18 August 2023. Forecasts prepared to 18 August 2023 demonstrate that the Company is forecast to trade profitably and generate cash, taking into account the risks explained above. These forecasts have been constructed on a base case scenario and further on downside scenarios with conservative assumptions including the worst possible trading outcomes. The continuing support of the Group Company and the cash-pooling arrangement is also a factor in the going concern review. Consequently, the Company has obtained a letter of support from the parent company confirming that it will provide financial support to the Company for a period to 18 August 2023 to assist in meeting its liabilities to the extent that the money is not otherwise available to the company to meet such liabilities. The Directors have assessed the level of financial support available, taking into account the Company's financial plan and cash flow forecast for the period to 18 August 2023 and are satisfied such support is available.

2.2 Significant accounting policies

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the company amortised goodwill a period of 5 years would have been chosen as the useful life for goodwill. The profit for the year would have been £148,860 lesser had goodwill been amortised in the year.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	Over three years
Fixtures, fittings & equipment	Over five years
Leasehold premises	Over the period of the lease
Leasehold Motor Vehicles	Over the period of the lease

Intangible Assets

Intangible assets are stated at cost less amortisation. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Amortisation is provided at rates calculated to write off the cost less estimated residual value of the acquired assets over its an expected useful life of five years.

Contingent Consideration

The expense for contingent consideration is based on the amount agreed in the contracts and based on the lettings portfolio retention of each entity acquired. For each acquisition 10% of the agreed consideration is deferred for a period of six months at the end of which if the lettings portfolio acquisition is greater than or equal to 90% the deferred consideration is settled. If the lettings portfolio retention is less than 90% without any extenuating circumstances then the deferred consideration is forfeit and the provision is expensed through the income statement.

REEDS RAINS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Accounting policies (continued)

2.2 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Financial assets are derecognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the Company commits to purchase or sell the asset. The subsequent measurement of financial assets depends on their classification.

Cash

Cash in the balance sheet comprise cash at bank and in hand.

Trade receivables

Trade receivables do not carry any interest and are stated at their original invoiced value as reduced by appropriate allowances for estimated irrecoverable amounts.

Under IFRS 9 the expected credit loss model applies to trade and receivables. The chosen method of recognising the expected credit loss across the company is the simplified approach allowing a provision matrix to be used, which is based on the expected life of trade receivables and historic default rates.

The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Trade payables

Trade payables do not carry any interest and are stated at their original invoice value.

Impairment of assets

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses on continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the profit and loss account.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Leases

Leases are defined as a contract which gives the right to use an asset for a period of time in exchange for consideration. The Company recognises three classes of leases on this basis:

REEDS RAINS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Accounting policies (continued)

2.2 Significant accounting policies (continued)

Leases (continued)

- Property leases
- Motor Vehicle leases
- Other leases

Property Leases and Motor Vehicle leases have been recognised on the balance sheet, in financial liabilities, by recognising the future cash-flows of the lease obligation, discounted using the incremental borrowing rate of the Company, adjusted for factors such as swap rates available and the credit risk of the entity entering into the lease.

Corresponding Right of Use assets have been recognised in the balance sheet under property, plant and equipment and have been measured as being equal to the discounted lease liability plus any lease payments made at or before the inception of the lease and initial direct costs, less any lease incentives received.

Other leases are leases for low value items (less than £5,000) or leases whose contract term is less than 12 months. The practical expedient not to recognise right-of-use assets and lease liabilities for these leases has been utilised by the Company. A charge for these leases has been recognised through the income statement as an operating expense.

For sub-leases where the Company is an intermediate lessor, the Company has assessed whether the sub-lease is an operating lease or finance lease in respect to the right of use asset generated by the head lease. It has performed this assessment on a lease-by-lease basis. The Company has both finance leases and operating leases based on this assessment, and a sub-lease asset has been recognised in financial assets at transition for finance leases.

Key Judgements and Estimates

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Where the implicit rate of interest relating to a lease is not readily available, the Company has used an incremental borrowing rate representative of the incremental borrowing rate of interest that the entity within the LSL Company that entered into the lease would have to pay to borrow over a similar term, with a similar security. The rate applied to each lease was determined taking into account the risk free rate, adjusted for factors such as the swap rates available to the Company and the credit risk of the entity entered into the lease.

Revenue recognition

Revenue is recognised under IFRS 15. This standard is based on a single model that distinguishes between promises to a customer that is satisfied at a point in time and those that are satisfied over time. Revenue is recognised when control of a good or service transfers to a customer.

Rendering of services

Revenue from the exchange fees in the Residential Sales business is recognised by reference to the legal exchange date of the housing transaction.

Revenue from Lettings is recognised on completion of the service being provided, and therefore at a point in time. Management services relating to Lettings are recognised over time using the time basis approach.

Financial Services income

A commercially agreed pay away is received from LSL's Financial Services division for referral and completion of mortgage procurement on the completion date of the housing transaction and is recognised at a point in time.

Rental income

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

REEDS RAINS LIMITED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 Accounting policies (continued)

2.2 Significant accounting policies (continued)

Pensions

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are invested and managed independently of the finances of the Company. The pension cost charge represents contributions payable in the year. The contributions are recognised in the income statement in the period in which they become payable.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. The Management Team periodically evaluates positions taken in the tax returns with respect to the situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

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

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment. Income tax is charged or credited directly to other comprehensive income or equity, if it relates to items that are charged or credited in the current or prior periods to other comprehensive income or equity respectively. Otherwise income tax is recognised in the income statement.

Share-based payments

The equity share option programme allows employees to acquire shares of the ultimate holding company. The fair value of the option granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vests. No expense is recognised for awards that do not ultimately vest, except for equity settled transactions where vesting is conditional upon a market or non-vesting condition, which is treated as vesting irrespective of whether or not the market or non-market vested condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

REEDS RAINS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2 Accounting policies (continued)

2.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no key sources of estimation uncertainty in the preparation of these financial statements.

Contingent Consideration

In accordance with the accounting standards, estimates have been made with regard to the future profitability of these acquisitions and a provision for the cost of acquiring these interests has been recognised. The provisions are disclosed in note 18 to these Financial Statements.

Deferred Tax

The company recognises deferred tax assets on all applicable temporary differences where it is probable that future taxable profits will be available for utilisation. This requires Management to make judgements and assumptions regarding the amount of deferred tax that can be recognised based on the magnitude and likelihood of future taxable profits. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax liabilities are provided for in full.

3 Revenue

Set out below is the disaggregation of revenue from the company's contracts with customers. The total revenue of the company for the year has been derived from its activities undertaken in the United Kingdom.

2021	Financial					
	Residential income	Services income	Conveyancing income	Lettings income	Other income	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Services transferred at a point in time	12,014	901	1,861	-	1,792	16,568
Services transferred over time	-	862	-	10,072	-	10,934
Total revenue from contracts with customers	12,014	1,763	1,861	10,072	1,792	27,502

2020	Financial					
	Residential income	Services income	Conveyancing income	Lettings income	Other income	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Services transferred at a point in time	8,068	1,175	1,161	-	1,374	11,778
Services transferred over time	-	1,240	-	9,276	-	10,516
Total revenue from contracts with customers	8,068	2,415	1,161	9,276	1,374	22,294

4 Exceptional Items and finance cost

	2021	2020
	£'000	£'000
Restructuring costs	-	(115)
	-	(115)

Restructuring costs and gains

These restructuring costs include savings made due to the early release of leases and the redundancy costs, asset disposals and other incidental costs incurred as a result of admin center closures and network restructure.

REEDS RAINS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5 Operating profit / (loss)

	2021 £'000	2020 £'000
Operating profit / (loss) is stated after charging:		
Amortisation of intangible assets	203	347
Depreciation - owned assets	232	421
Depreciation - leased assets	664	942
Low value lease charge	23	24
Short term lease charge	753	553
Impairment of investment (Note 14)	1,081	185

6 Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2021 £'000	2020 £'000
Fees payable to the company's auditor for the audit of the company's financial statements	20	20

7 Employees

Number of employees

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

	2021 No.	2020 No.
Average Monthly Employees	487	476

	2021 £'000	2020 £'000
Wages and salaries	12,993	10,311
Social security costs	1,129	891
Other pension costs (Note 17)	254	189
Costs of share option scheme	82	10
Total	14,458	11,401

8 Directors' remuneration

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

The directors received total remuneration for the year of £3,247,173 (2020 - £1,394,752) including pension costs of £29,346 (2020 - £32,804). The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and the services as directors of the holding and fellow subsidiary companies.

The Company operates money purchase pension schemes for the directors in office. Director's contributions are matched by the Company up to a maximum of 5% of pensionable earnings.

The number of directors who were members of the money purchase pension schemes during the financial year total 5 (2020 - 5).

The remuneration of the highest paid director who is employed by the Company amounted to £1,177,933 excluding pension costs (2020 - £360,933). Company contributions to money purchase pension schemes for that director amounted to £nil (2020 - nil).

The number of directors who exercised share options during the year was 4 (2020 - 2).

9 Finance Charge

	2021 £'000	2020 £'000
Unwinding of discount on lease liabilities	96	136
	96	136

REEDS RAINS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10 Taxation

	2021	2020
	£'000	£'000
Current income tax:		
UK corporation tax charge on loss for the year	(264)	(294)
Adjustments in respect of prior periods	(30)	15
Total current income tax	<u>(294)</u>	<u>(279)</u>
Deferred tax:		
Origination and reversal of temporary differences	(1)	2
Impact of changes in tax rates	65	29
Adjustments in respect of prior periods	(70)	(20)
Total deferred tax	<u>(6)</u>	<u>11</u>
Tax expense for the year	<u>(300)</u>	<u>(268)</u>

Reconciliation of the total tax charge

The tax expense for the year for the year is higher than the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	2021	2020
	£'000	£'000
Accounting loss before income tax	<u>(1,162)</u>	<u>(1,147)</u>
Tax calculated at UK standard rate of corporation tax of 19.00% (2020: 19.00%)	(221)	(218)
Expenses not deductible for tax purposes	(41)	(66)
Share-based payment adjustment	4	(2)
Transfer pricing	(8)	(6)
Adjustments in respect of previous periods	(99)	(5)
Impact of change in tax rate	65	29
Total tax expense for the year	<u>(300)</u>	<u>(268)</u>

Change in corporation tax rates

The UK corporation tax rate reduced to 19% with effect from 1st April 2017. On 4 March 2021 the UK Government announced an intention to increase the rate of corporation tax to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021 and therefore the deferred tax balances have been restated to reflect a rate of 25%.

	2021	2020
	£'000	£'000
At the beginning of the year	277	266
Deferred tax debited to statement of recognised gains and losses	17	11
Profit movement for the year	(6)	-
Deferred tax asset	<u>288</u>	<u>277</u>

	2021	2020
	£'000	£'000
Deferred tax balance is made up as follows:		
Accelerated capital allowances	226	252
Short-term timing differences	62	25
Deferred tax asset	<u>288</u>	<u>277</u>

Amounts not provided		
Losses	<u>909</u>	<u>711</u>

A deferred tax asset has been recognised on the basis that the Company is anticipated to make suitable taxable profits in the foreseeable future against which it can be utilised.

The Company has tax losses of £3,637,000 (2020: £3,741,000) that are available indefinitely for offset against future profits of the Company. Deferred tax assets have not been recognised in respect of these losses as there is uncertainty that suitable profits will arise in future periods against which the losses can be utilised.

REEDS RAINS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11 Intangible assets

	Goodwill £'000	Lettings contracts £'000	Total £'000
Cost			
At 1 January 2021	744	2,511	3,255
At 31 December 2021	<u>744</u>	<u>2,511</u>	<u>3,255</u>
Impairment			
At 1 January 2021	19	1,868	1,887
Amortisation	-	203	203
At 31 December 2021	<u>19</u>	<u>2,071</u>	<u>2,090</u>
Net book value			
At 31 December 2021	<u>725</u>	<u>440</u>	<u>1,165</u>
At 31 December 2020	<u>725</u>	<u>643</u>	<u>1,368</u>

Goodwill acquired through business combinations has been allocated to the following cash-generating units:

- Reeds Rains Limited

This represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

A test of impairment was performed on goodwill to determine the recoverable amount of the CGU. This was based upon a value in use calculation using cash flow projections based on financial budgets approved by the board covering a 3 year period. The discount rate applied to cash flow projections was 12.15% (2020: 11.7%). Cash flows beyond the three year plan are extrapolated using a 2.0% growth rate (2020: 2.0%). Management are satisfied that the outcome of the impairment test demonstrates that no provision for impairment was necessary.

12 Property, plant and equipment

	Land and buildings £'000	Motor vehicles £'000	Computer equipment £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost:					
At 1 January 2021	3,345	482	488	3,702	8,017
Additions	276	-	4	171	451
Disposals	-	-	(255)	(3,040)	(3,295)
At 31 December 2021	<u>3,621</u>	<u>482</u>	<u>237</u>	<u>833</u>	<u>5,173</u>
Depreciation:					
At 1 January 2021	1,598	433	352	3,369	5,752
Charge for the year	615	49	53	179	896
	-	-	(255)	(3,040)	(3,295)
At 31 December 2021	<u>2,213</u>	<u>482</u>	<u>150</u>	<u>508</u>	<u>3,353</u>
Net book value:					
At 31 December 2021	<u>1,408</u>	<u>-</u>	<u>87</u>	<u>325</u>	<u>1,820</u>
At 31 December 2020	<u>1,747</u>	<u>49</u>	<u>136</u>	<u>333</u>	<u>2,265</u>
Owned assets	-	-	87	325	412
IFRS 16 leased assets	1,408	-	-	-	1,408
At 31 December 2021	<u>1,408</u>	<u>-</u>	<u>87</u>	<u>325</u>	<u>1,820</u>

REEDS RAINS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13 Leases

At the year end, the company has the following with regards to leases in the balance sheet:

Right of Use Assets:	2021			2020		
	Land and buildings £'000	Motor vehicles £'000	Total £'000	Land and buildings £'000	Motor vehicles £'000	Total £'000
1st January	1,747	49	1,796	2,464	209	2,673
Additions	276	-	276	65	-	65
Disposals	-	-	-	-	-	-
Depreciation	(615)	(49)	(664)	(782)	(160)	(942)
31st December	1,408	-	1,408	1,747	49	1,796

These are included in the carrying amounts of Property, plant, and equipment on the face of the balance sheet, and have been included within the assets in Note 12.

Lease Liabilities:	2021 Total £'000	2020 Total £'000
1st January	2,182	3,157
Interest expense	96	136
Repayment of lease liabilities including interest charge	(945)	(1,088)
Additions	277	65
Disposals	-	(88)
31st December	1,610	2,182

The maturity of these lease liabilities is analysed as follows:

	2021			2020		
	Land and buildings £'000	Motor vehicles £'000	Total £'000	Land and buildings £'000	Motor vehicles £'000	Total £'000
Current lease liabilities	659	-	659	905	72	977
Non-current lease liabilities	951	-	951	1,205	-	1,205
Total lease liabilities	1,610	-	1,610	2,110	72	2,182

These are included in non-current and current lease liabilities on the face of the balance sheet and have been included in Note 18 Financial liabilities.

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

	2021 £'000	2020 £'000
Depreciation of right of use assets:		
Property	615	782
Vehicles	49	160
Short-term and low value lease expense	776	577
Sub lease income	(30)	(258)
Charge to operating profit	1,410	1,263
Interest expense related to lease liabilities	96	136
Charge to profit before taxation	96	136
Cash outflow relating to operating activities	784	713
Cash outflow relating to financing activities	946	936
Total cash outflow relating to leases	1,730	1,649

REEDS RAINS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14 Investments

	2021	2020
	£'000	£'000
Balance at 1 January 2021	1,081	1,266
Impairment	(1,081)	(185)
Balance at 31 December 2021	<u>-</u>	<u>1,081</u>

In 2021 £1,081k (2020: £185k) of investments were fully impaired in line with its useful life of 5 years according to the Group accounting policy. The directors no longer consider these investments to have a separately identified value from that of the Company. Details of the investments in which Reeds Rains Limited holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Registered Office	Holding	Proportion of voting rights and shares held	Nature of business
<i>Subsidiary undertakings</i>				
Guardian Property Lettings Limited	1	Ordinary shares	100%	Estate agency
Prestons Lettings Ltd	1	Ordinary shares	100%	Estate agency
Fourlets (York) Ltd	1	Ordinary shares	100%	Estate agency
Headway Property	1	Ordinary shares	100%	Estate agency
Coubrough & Co	1	Ordinary shares	100%	Estate agency
IQ Property	1	Ordinary shares	100%	Estate agency

Registered office address: Howard House, 3 St Mary's Court, Blossom Street, York, YO24 1AH

In November 2015 the Group acquired 100% of the shares in Fourlets (York) Ltd, a lettings property management company. In January 2016 the Group acquired 100% of the shares in Headway Property, a lettings management company. In March 2016 the Group acquired 100% of the shares in Coubrough & Co, a lettings management company. In June 2016 the Group acquired 100% of the shares in IQ Property, a lettings management company. The consideration paid for the purchase of all shares was cash. The trade and assets of all acquisitions were all hived up in to Reeds Rains Limited on the dates of acquisition.

15 Trade and other receivables

	2021	2020
	£'000	£'000
Due within one year		
Trade receivables	765	536
Less provision for impairment of receivables	(33)	(44)
Net trade receivables	<u>732</u>	<u>492</u>
Amounts owed by parent undertaking	4	-
Amounts owed by fellow subsidiary undertakings	4,567	4,693
Corporation tax	-	285
Prepayments and accrued income	<u>1,073</u>	<u>723</u>
	<u>6,376</u>	<u>6,193</u>

As at 31st December, an analysis of trade receivables by credit risk rating grades is as follows:

	Total	Neither past due nor impaired	<30 days	30-60 days	60-90 days	90-120 days	> 120 days
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2021	765	289	345	46	7	10	68
2020	<u>536</u>	<u>249</u>	<u>235</u>	<u>(6)</u>	<u>3</u>	<u>3</u>	<u>52</u>

REEDS RAINS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

16 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	131	286
Amounts owed to parent undertaking	-	480
Amounts owed to fellow subsidiary undertakings	982	271
Corporation tax	591	-
Group Relief	-	291
Taxes and social security costs	846	2,131
Other payables	478	417
Accruals and deferred income	2,240	1,516
	<u>5,268</u>	<u>5,392</u>

Included within other taxes and social security payable in is £0.1m of VAT (£1.2m 2020), which was deferred and has been 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.

17 Pension and other post-retirement benefit commitments

Defined contribution

The Company operates defined contribution pension schemes for all its directors and certain employees. The assets of the schemes are held separately from those of the Company in independently administered funds.

The Company's contributions are 5% of pensionable salaries where members contribute, and the cost of the death-in-service benefits.

Total amount recognised as an expense for both the defined contribution scheme and the defined contribution stakeholder scheme were £253,839 (2020 - £189,154).

There was an outstanding amount of £51,118 in respect of pensions at 31st December 2021 (2020: £49,501).

18 Financial Liabilities

	2021 £'000	2020 £'000
Current		
Lease liabilities	671	977
Contingent consideration on acquisitions	-	22
	<u>671</u>	<u>999</u>
Non-current		
Lease liabilities	939	1,205
	<u>939</u>	<u>1,205</u>
Total financial liabilities	<u>1,610</u>	<u>2,204</u>

Contingent consideration

The contingent consideration is based on the amount agreed in the contracts and on the lettings portfolio retention of each entity acquired. For each acquisition 10% of the agreed consideration is deferred for a period of six months at the end of which if the lettings portfolio retention is greater than or equal to 90% the deferred consideration is settled. If the lettings portfolio retention is less than 90% without any extenuating circumstances the deferred consideration is forfeit and the provision is expensed through the income statement.

REEDS RAINS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

19 Provisions for liabilities

	<i>Onerous leases</i> £'000	Total £'000
At 1 January 2021		
Current	29	29
Non-current	30	30
	<u>59</u>	<u>59</u>
Additional provision	-	-
Amounts used	(29)	(29)
At 31 December 2021	<u>30</u>	<u>30</u>
Analysed as:		
Current	18	18
Non-current	12	12
	<u>30</u>	<u>30</u>

Onerous Leases

The provision for onerous lease obligations relates to obligations under leases on vacant properties. The provision is expected to be fully utilised by May 2024. The final outcome depends upon the ability of the group to sublet or assign the lease over the related properties.

20 Share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
60,010 "A" Ordinary shares of £1 each	60	60
26,400 "B" Ordinary shares of £1 each	26	26
	<u>86</u>	<u>86</u>

The "A" and "B" ordinary shares rank *pari passu*.

21 Dividends paid and proposed

Equity dividends paid on ordinary shares were £1m in 2021 and in 2020 were £2m.

22 Reserves

Share based payment reserve

The share-based payment reserve is used to record the value of equity-settled share-based payment provided to the employees, as part of their remuneration.

Share premium reserve

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

Capital redemption reserve

The capital redemption reserve is used to record the equity arising from the buy back of share capital.

23 Contingent liabilities

The Company is party to a bank overdraft and revolving credit facility totaling £90m (2020: £100m) which are secured by cross guarantees from this company and a number of the Company's fellow subsidiaries and the Company's parent company. The original £100m facility, which was due to expire in May 2022, was replaced in February 2021 by a new £90m facility which expires in May 2024. As at 31 December 2021, the amount drawn under these facilities was nil (2020: £13.0m) and there was a £nil overdraft (2020: £nil).

REEDS RAINS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

24 Ultimate parent undertaking

The Company's ultimate and immediate parent undertaking and controlling party is LSL Property Services plc, a Company registered in England. Its group financial statements are available on application to the Group Company Secretary, LSL Property Services plc, Newcastle House, Albany Court, Newcastle Business Park, Newcastle upon Tyne, NE4 7YB. No other group financial statements include the results of the Company.

25 Related party relationships and transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December with other related parties, are as follows:

	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
	£'000	£'000	£'000	£'000
TM Group (UK) Ltd				
2021	-	112	-	-
2020	-	255	-	-
Zero Deposit Group				
2021	21	-	2	-
2020	47	-	3	-

The ultimate parent company LSL Property Services Plc owned 33% of TM Group until July 2021. Sales to TM Group consist mainly of residential conveyancing services.

There were no transactions with the Directors.

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