Annual Report and Accounts 2009

LSL Property Services plc

What we are:

LSL Property Services plc ("the Company") is a leading provider of residential property services, providing a broad range of services to its two key customer groups, who are mortgage lenders and private customers. Services to consumers include: estate agency, lettings, valuation, surveying, and advice on mortgages and non-investment insurance products. Services to mortgage lenders include: surveys and panel management services, asset management and property management services.

Contents

This Report covers the period from 1 January 2009 to 31 December 2009.

Forward Looking Statements

This Report may contain forward-looking statements with respect to certain plans and current goals and expectations relating to the future financial condition, business performance and results of LSL. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control at LSL including, amongst other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates, inflation, deflation, the impact of competition, changes in customer preferences, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities, the impact of tax or other legislation and other regulations in the UK. As a result LSL's actual future condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast. Information about the management of the principal risks and uncertainties facing LSL is set out in the Business Review & Directors' Report at pages 11 and 12.

"LSL is a people business and as such we are reliant on the commitment and enthusiasm of our employees on whom we depend to provide the high level of service that we strive to achieve for our customers."

Highlights

Group

- Group Revenue down 2.5% to £157.7m (2008: £161.8m)
- Underlying Group Operating Profit[1] up 55% to £28.3m (2008: £18.2m)
- Increase in Underlying Operating Margin[5] from 11.3% to 17.9%
- Operating costs reduced by 10% to £129.9m (2008: £144.3m)
- Profit Before Tax increased to £16.6m (2008: Loss of £6.2m*)
- Adjusted Basic earnings per share[2] up 93% to 18.1p (2008: 9.4p per share*)
  Basic earnings per share of 11.4p (2008: Basic loss of 4.6p*)
- Return to dividends: Interim dividend declared of 5.4p per share (2008: nil)
- Significant cash generation during the year
  - Net cash inflow from operations of £24.6m (2008: £3.2m)
  - Net debt reduced by £23.5m to £25.7m (2008: £49.2m)

Surveying Performance

- Significantly outperformed the market, turnover down 12%, against a 34%[3] decline in total mortgage approvals.
- Underlying Operating Profit of £23.5m (2008: £28.6m)
- Barclays contract extended and a new five year contract with Santander

Estate Agency and Financial Services Performance

- Delivered a significant turnaround in Profitability
  Underlying Operating Profit of £6.7m (2008: Loss of £8.4m*)
- All our high street Estate Agency brands have been profitable in 2009, despite market volumes being half historic norms.
- Significantly lower operating costs and excellent growth in asset management business - market share of 17% in Q4, 2009.[4]

Acquisition of Halifax Estate Agencies Limited

- Establishes LSL as second largest Estate Agency business in UK.
- Acquisition completed on 15 January 2010. Integration completed on schedule and targeted run rate costs savings achieved.

* Please note that the Income Statement for 2008 was restated due to the adoption of the amendment to IFRS 2 Share-based payments, details of the restatement are given at note 2. All relevant figures in this report reflect the restatement.

1 Underlying Operating Profit is before exceptional costs, amortisation of intangible assets and share based payments.
2 The calculation of the Adjusted Basic Earnings per Share is given in note 10.
3 Bank of England Total Mortgage Approval for 2009.
4 Council of Mortgage Lenders data on repossession 2009.
5 Underlying Operating Margin is Group Operating Profit before exceptional costs, amortisation and share based payments shown as a percentage of turnover.

Chairman's Statement

"The acquisition of the Halifax Estate Agencies Limited establishes LSL as the second largest Estate Agency business in the United Kingdom."

Introduction

We are delighted to report a strong increase in underlying operating profits of 55% to £28.3m in the year. Both our Surveying and Estate Agency divisions have further enhanced their market positions and are well placed for longer-term growth. Surveying has extended a number of contracts with key clients and Estate Agency has benefited from significant cost reductions and from the rapid growth of its counter-cyclical income streams, in particular lettings and asset management.

The above results demonstrate the Group's resilience despite transaction volumes continuing to be at a relatively low point in the cycle. Transaction volumes did improve in the second half of 2009 leading to a growth in mortgage approvals for house purchase of 16% to 597,000 for the full year, against an historic norm of in excess of 1.2m per annum. Total mortgage approvals declined by 34% in 2009, reflecting a significant reduction in re-mortgages.

The acquisition of Halifax Estate Agencies Limited ("HEAL") which completed on 15 January 2010, adds 206 branches to the agency network, and presents further scale opportunities for the Group. This acquisition establishes LSL as the second largest Estate Agency business in the United Kingdom.

Financial results

Group revenue declined by 2.5% to £157.7m (2008: £161.8m). However, the Underlying Operating Profit has increased by 55% from £18.2m to £28.3m, reflecting an increase in the Underlying Operating Profit margin from 11.3% to 17.9%. Operating costs were down by 10% from £144.3m to £129.9m.

The Estate Agency business delivered a significant turnaround moving from an Underlying Operating loss of £8.4m to a profit of £6.7m. This is an excellent performance against a back drop of a market which still remains at 50% of the historic norms in housing transaction volumes and demonstrates the benefits of a lower cost base and significant growth in counter-cyclical income streams.

The Surveying business has significantly outperformed the market, with turnover down by only 12% against an overall 34% decline in mortgage approvals. However, the result has been impacted by the materially lower levels of remortgage activity and the lower volumes in our Barnwoods operation, resulting in Underlying Operating Profit reducing from £28.6m to £23.5m.

The Group generated significant cash from operations in 2009 and as a result net debt was reduced from £49.2m to £25.7m. This resulted in a reduction in net finance costs from £4.0m to £2.2m. Exceptional costs were minimal in 2009 at £0.4m (2008: £8.2m), resulting in an overall profit before tax and amortisation of £25.2m (2008: £5.0m). Amortisation during the year was £8.6m (2008: £10.1m), giving a profit before tax of £16.6m (2008: loss of £5.1m). The profit after tax was £11.7m (2008: loss of £4.8m).

The adjusted earnings per share was 18.1p (2008: 9.4p).

Dividend

On the basis of the strong operating performance during the year, the reduction in net debt and the prospects for continued growth longer term, the Board has decided to resume dividend payments in line with our previously stated dividend policy. The policy, which stipulates dividends of between 30% to 40% of profit after tax, reflects the cash generative nature of the business, the long term earnings potential of the Group and the opportunities to invest in organic growth and growth through selective acquisitions.

As a consequence, the Board has declared an interim dividend payable for 2009 of 5.4 pence per share, effectively replacing any final dividend payable. The dividend will be paid on 31 March 2010 to shareholders on the register at 10 March 2010 with a record date of 12 March 2010.

Developments

Our Surveying division has made strong progress during the year and strengthened its market position. It has continued its excellent track record of extending contracts with its key clients. This includes extending the contract with Barclays for a further two years and the recently announced five year expanded contract with Santander, which commenced on 1 December 2009. This contract significantly expands the volume of surveying services to be provided to the Santander Group and includes the transfer of the remaining Santander operational surveyors, into e.surv. The contract is expected to make a significant contribution to profitability in 2010, providing an excellent opportunity to drive further operational efficiencies across the Surveying division.

Barnwoods' exclusive panel management contract with C&G continues to be a material contract for the Surveying Division. Turnover in 2009 declined in line with the market, however there continues to be some uncertainty over the mortgage branding strategy of Lloyds Banking Group, which may impact Barnwoods' volumes.

Our Estate Agency division has continued to focus on growing counter-cyclical income streams. Lettings income from our core brands has increased by 24% to £19.6m. Our Corporate Client Department ("LSL CCD"), which provides repossession asset management and corporate lettings services has had an excellent year, securing a number of new contracts and has contributed significantly to profits. These services were launched at the start of 2008, and in favourable market conditions have generated income of £9.3m in 2009 (2008: £1.8m).

LSL CCD is an example of the Group developing new counter-cyclical earning streams, as evidenced by asset management which has grown from a standing start in 2008 to a 17% market share in Q4 2009. This will be strengthened further in 2010 by St Trinity, our asset management business, set up following the acquisition of HEAL.

The Group's acquisition of HEAL which completed on 15 January 2010, is a transformational deal for our Estate Agency division acquiring 206 high quality branches, an established asset management business and a pipeline of sales on favourable commercial terms at a low point in the economic cycle. The re-branding of the 206 branches to Your Move, Reeds Rains and Intercounty brands will strengthen LSL's Estate Agency position in local markets. LSL acquired HEAL for £1, which had proforma net assets at 31 December 2008 of £38.4m, and at completion had cash of £25.9m to cover restructuring and rebranding costs. The acquisition is expected to be cash positive in 2010 and make a significant contribution when more normal market conditions resume.

We are pleased to report that all significant project milestones relating to the integration of HEAL have been achieved. This includes the re-branding of all branches, the implementation of our systems, the back-office service integration and restructuring of the entire HEAL operation. A significant level of targeted run rate cost savings have been achieved and the focus in 2010 is on growing market share and maximising income opportunities such as lettings.

Main Board

The Board was strengthened by the appointment of Mark Pain on 1 July 2009 as a Non-Executive Director and as Chairman of the Remuneration Committee. Mark has considerable experience in the residential property market and financial services industry, having held senior public company Board positions at Barratt Development plc and Abbey National plc. Mark is currently a Non-Executive Director of Johnston Press plc, Punch Taverns plc and Northern Rock plc, and is a welcome addition to the Board. He will add a valuable contribution to the growth and development of the business. Mark Warburton resigned on 1 July 2009 to concentrate on other business interests and we wish Mark well for the future.

Paul Latham has announced his retirement from the Board as Executive Director, Surveying Division with effect from 31 May 2010. However, Paul has agreed to stay on as a Non- Executive Director so we can continue to benefit from his expertise and industry knowledge. In addition, it is our intention to appoint a further independent non-executive director during the course of the year. Alison Traversoni, will replace Paul as Executive Director, Surveying Division and will be appointed to the Board on 31 May 2010. In addition, David Newnes, currently Managing Director of Your Move, will also be appointed to the Board on 31 May 2010 as Managing Director of the Estate Agency Division. Alison and David have significant industry experience and both have been part of the senior management team since the MBO in 2004 and have contributed to the success of the Group.

People

I would like to welcome all new employees to the Group in a period where there have been significant additions to the Group through both the Santander contract and the HEAL acquisition.

LSL is a people business and as such we are reliant on the commitment and enthusiasm of our employees on whom we depend to provide the high level of service that we strive to achieve for our customers.

LSL operates two employee share schemes, a Save As You Earn and a Buy As You Earn, offering employees the opportunity to share in the future success of LSL. The 2007 SAYE scheme matured in January 2010 at an option price of £1.74 per share.

A number of senior management employees, including the Executive Directors, currently own approximately 32% of LSL (2008: 31%). The interests of these senior managers and directors are closely aligned with the interests of other shareholders.

I would also like to thank everyone in the business for making the year a great success in market conditions which remain very challenging, and in particular thank everyone involved in the acquisition and integration of HEAL, which has been a huge effort and a great success to date as well as an important transformational acquisition for the Group.

Current Trading & Outlook

The Group has made substantial progress in 2009 and ends the year in a much stronger position in both the Surveying and Estate Agency Divisions. The increase in underlying operating profits of 55% to £28.3m is an excellent result given the continuing challenging market conditions.

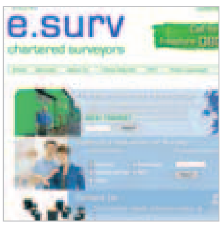
Despite the increase in house purchase transaction volumes in the second half of 2009, overall volumes remained at half of historic norms. The longer term underlying macroeconomic conditions in the housing market remain positive and the Group is extremely well placed to deliver growth.

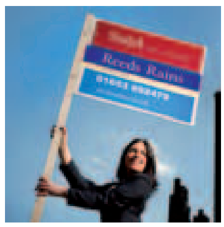
The short term outlook for the market remains uncertain. The continued shortage of available mortgage finance and the impact of fiscal tightening on consumer spending may impact the timing of any recovery. However, the business is significantly more robust through the cycle with a lower cost base, a larger lettings portfolio, a growing asset management business and a surveying business which has extended a number of key contracts and grown its market share. As a result the Group is well positioned to deliver further increases in profitability when the market recovers further.

Activity to the end of February is in line with our expectations and reflects a continuation of run rates in the second half of 2009.

The Group has a strong balance sheet with net debt of £25.7m against an available facility of £75m. This together with the cash generative nature of the business, means that the Group is well placed to respond to further acquisition opportunities which may arise as a result of market conditions.

Roger Matthews
3 March 2010





Key Brands - Surveying Division

The Group provides a range of residential surveying and valuation services through three brands:

e.surv

One of the leading firms of chartered surveyors in the UK, providing services to a broad range of lenders.

Barnwoods

Founded in 2007 operating throughout the UK principally to provide services on an exclusive basis to C&G, part of the Lloyds Banking Group.

Chancellors Associates

Chancellors Associates is a national network of chartered surveyors undertaking a wide variety of survey and valuation work mainly for private clients.

e.surv
chartered surveyors

Barnwoods
Chartered Surveyors

Chancellors Associates
CHARTERED SURVEYORS

"The Surveying business has significantly outperformed the market - total jobs performed fell by only 5% in the face of a 34% decline in mortgage approvals."

Key Brands - Estate Agency Division

The Group provides Estate Agency services including residential house sales, asset management, lettings and financial services including mortgages, remortgages and life assurance through its main subsidiaries:

YOUR MOVE

The largest UK Estate Agency* comprising a network of 334 branches, following the acquisition of HEAL, (made up of a combination of virtual, wholly owned and franchised branches) operating throughout the UK.

Reeds Rains

A predominately northern based network of 210 branches, following the acquisition of HEAL, (made up of wholly owned and franchised branches).

LSLi

This business was launched in early 2008 and is the holding company to 3 estate agency businesses based largely in the Home Counties which together have a network of 31 branches, following the acquisition of HEAL, (made up of wholly owned and franchised branches).

Linear

Provides financial services including mortgages, re-mortgages and life assurance through a network of financial consultants based remotely and in the offices of estate agents.

First Complete

First Complete trading as LSL Corporate Client Department (LSL CCD) operates a repossessions asset management business and a property management business for multi property landlords.

St Trinity Limited

Our second asset management business created following the acquisition of HEAL.

Homefast Property Services

Homefast provides HIPs to members of the LSL Group and to independent estate agents.

* Your Move is the UK's largest Estate Agency business measured on the number of offices.

YOUR MOVE

Reeds Rains
The Estate Agent

LSLi

Frost's

JNP

Intercounty

linear

LSL Corporate Client Department

St TRINITY
Asset Management

homefast
property services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Business Review & Directors' Report

Introduction

LSL provides a broad range of services to its two key customer groups, who are mortgage lenders and private consumers. The Group provides various property services to consumers including estate agency, lettings, valuation, surveying, and advice on mortgages and non-investment insurance products. The Group also provides mortgage lenders with surveys and panel management services, asset management and property management services and also refers mortgage business from its private customers to mortgage lenders.

Key Strengths

LSL has the following key strengths:

- It is one of the leading residential property services groups in the UK.
- LSL has demonstrated some resilience against the cycles of the housing market, largely due to the performance of its surveying division and the level of counter-cyclical business in estate agency.
- Since the 15 January 2010 the estate agency division has a network of 575 branches, making it the second largest estate agency business in the UK[1].
- The Group is strongly cash generative with low capital expenditure £0.7m (2008: £1.0m) and in spite of the unprecedented market conditions has generated net cash inflow from operating activities of £24.6m (2008: £3.2m).
- The current Executive Directors have been with the Group since 2001 and have a track record of improving profitability as a result of organic growth and a number of successful acquisitions since 2004.

[1] Estate Agency News Jan10

Strategy

The Group's strategy is to grow long term profitability in the provision of residential property services in the United Kingdom and to continue to develop counter-cyclical income streams that will strengthen its ability to trade successfully through market downturns.

Profit growth will be achieved through surveying by continuing the development of strong relationships with lenders and maintaining service excellence in order to continue to drive market share. Profitable growth will be achieved in the Estate Agency division by continuing to provide a service proposition that recognises the customers' needs and maximises income across the value chain.

In addition, LSL continues to review opportunities for organic growth and will continue to assess value creating acquisition opportunities in residential property services throughout 2010.

The market backdrop provides significant opportunities for market share growth for well capitalised and managed businesses across the estate agency and surveying segments. Overall, LSL continues to be well placed to benefit from a recovery in the UK housing market.

LSL's Corporate Asset Management Business comprising its Corporate Client Department and St Trinity will look to continue growing market share through innovative solutions and strong service delivery.

Principal Risks & Uncertainties

The Board continually identify, evaluate and manage material risks and uncertainties which could adversely affect the business, operating results and financial condition of LSL. These risks are recorded and managed through a risk register, and the principal risks and uncertainties identified are:

- The continued volatility and uncertainty of the UK housing market. In particular, transaction volumes (both house purchase and remortgage), house prices and the availability of credit which will adversely affect the profitability and cash flow of all our key brands and businesses.
- Loss of any licences or permissions necessary for the performance of the Group business.
- Liability for inaccurate professional services advice to clients (e.g. inaccurate valuations). This risk and the level of Professional Indemnity claims has increased significantly as a result of an increased level of repossessions. Associated with this risk is LSL's ability to maintain appropriate risk management arrangements.
- Loss of key surveying or asset management clients or contracts at their renewal date or significant reduction in volumes, either as a result of adverse market conditions, market consolidation, competition or inadequate service delivery.
- The reputation and profitability of LSL could be adversely affected by the actions of one or a limited number of employees or franchisees.

- Failure or interruptions of information technology services on which the Group is reliant for operational performance and financial information.
- The development of alternative products and services in competition with traditional estate agency and surveying services, such as supermarket property websites and Automated Valuation Models.
- Changes in legislation or regulation (for example HIPs) may impact on business results or the UK housing market in general.
- The significant increase in the size of the estate agency branch network changes the operational gearing of the Group.
- Our ability to renew banking facilities as they fall due as a result of constraints in the banking market.

Further information relating to the management of these risks and uncertainties is set out in the Corporate Governance Review (Internal Controls) of the Annual Report.

Relationships

The Corporate Social Responsibility (CSR) statement details the arrangements for all Group companies in relation to: environmental matters and Group employees can be found at pages 38 & 39 of this Report.

Other than our shareholders, the Group's performance and value are influenced by other stakeholders, principally our customers, suppliers, employees, government and our strategic partners.

The Group's approach with all these parties is founded on the principles of open and honest dialogue based on a mutual understanding of needs and objectives. For example:

- Lenders' relationships are managed via dedicated account managers.
- Employees are managed and consulted both on an individual basis and via representative groups.
- Group companies participate in relevant trade associations and industry groups, such as RICS, the Association of Mortgage Intermediaries, the National Association of Estate Agents, the Association of Residential Lettings Agents and The Property Ombudsman, because these give us genuine access to customer views and decision makers in government and other regulatory bodies.
- Further, the Group aims to build partnerships with the communities in which it operates and to offer support in addition to providing employment and training, using local services and suppliers where possible and paying taxes.

Environmental Matters

All Group companies are committed to assessing and managing the environmental impact of their operations by taking part in energy efficient practices so that it can be an active participant in the sustainable society, for example electronic communications and record keeping is encouraged in place of less environmentally friendly methods.

For further information on other environmental issues and to read LSL's CSR statement please see pages 38 & 39 of the Annual Report and Accounts.

"Both our Surveying and Estate Agency divisions have further enhanced their market positions and are well placed for longer-term growth."

Business Review & Directors' Report - Surveying Division

Financial	2009 £m	2008 £m	% change
Turnover	70.0	80.0	-13%
Expenditure	-46.5	-51.4	-10%
Underlying Operating Profit	23.5	28.6	-18%
KPIs			
Profit margin %	34%	36%	-2%
Jobs performed 000s	439	461	-5%
Income per job £	159	174	-9%
Professional Indemnity insurance provision £m	7.5	5.6	

Surveying Division Performance

The Surveying Division has significantly outperformed the market delivering profits of £23.5m (2008: £28.6m) and a profit margin of 34% in 2009 (2008: 36%).

Reflecting the strength of its market position total job numbers of all types fell by only 5% to 439,000 (2008: 461,000) in the face of a 34% decline in mortgage approvals to 1.34m (2008: 1.98m).

As a result of significant focus on productivity and cost saving initiatives commenced in 2008 but continued throughout 2009 the cost base has been reduced by 10% from £51.4m to £46.5m. These cost savings were achieved despite an overall increase in Professional Indemnity insurance provisioning of £1.9m reflecting the rise in the number of repossessions.

Surveying Developments

During the year, the residential surveying division extended its contract to supply exclusive UK panel residential survey management services to Abbey National plc and Alliance & Leicester plc, who are both members of the Santander group of companies ("Santander") through an arrangement which saw the transfer of the remaining operational surveying staff into e.surv. This 5 year contract effective from 1 December 2009 consolidates the current outsourced service supply arrangement already partly administered by e.surv for the provision of surveying services to Santander. The contract is expected to enhance earnings significantly as it provides an excellent opportunity to further leverage the surveying assets across the Group.

The C&G contract in Barnwoods' remains a material contract for the division. Turnover has reduced from £21.7m in 2008 to £15.5m in 2009 due to lower remortgage activity generally and also due to the new mortgage strategy implemented since Lloyds Banking Group's acquisition of HBOS.

In line with market conditions and the level of repossessions Professional Indemnity Insurance remains a key risk for the Surveying division. As a result the Group has increased its Professional Indemnity Provision from £5.6m to £7.5m.

Lender Relationships & Service Quality

LSL's surveying division has panel management arrangements with a significant number of lenders. A number of these arrangements are exclusive and they will involve the servicing and distribution of valuation instructions to these lenders' own teams of employed surveyors and/or other valuation providers. LSL has strong relationships with these lenders.

Service and quality is a significant factor in maintaining relationships with these lenders and in seeking to win new panel management contracts. An example of this was e.surv winning the Mortgage Strategy Awards 2010 Best Surveyor/Valuer category. It also differentiates LSL's surveying division from its competitors. One of the key factors that lenders use in assessing service is turnaround time for valuation instructions. LSL's turnaround time is consistently better than many of its competitors, largely as a result of the flexibility of the panel management model and its use of sophisticated technology.

Competition

LSL's major competitors in the surveying market are principally other national estate agency chains which provide panel management services, such as Countrywide and Connells. While Automated Valuation Models (AVMs) are a competitor to traditional valuation methods, their use in the current market is under careful review by lenders.

Business Review & Directors' Report - Estate Agency Divison

The Estate Agency business delivered a significant turnaround moving from an Underlying Operating loss of £8.4m to a profit of £6.7m.

	2009 £m	2008 £m	% change
Total income	87.7	81.7	7%
Expenditure	-81.0	-90.1	-10%
Underlying Operating Profit	6.7	-8.4	180%

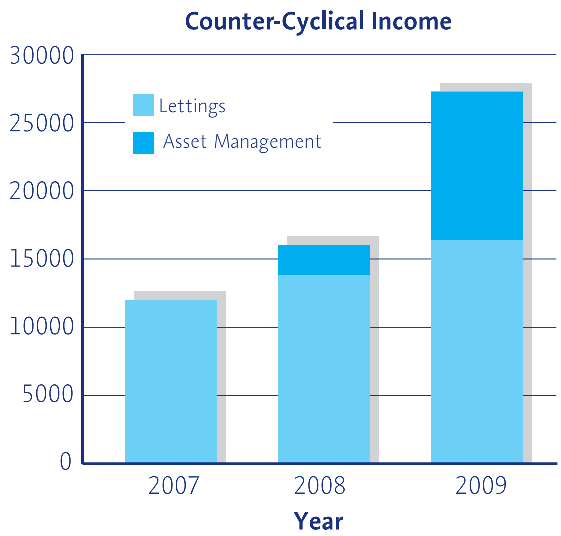
KPIs

Exchange units	14815	13682	+8%

	2009 £m	2008 £m	% change
Exchange fees*	28.1	28.6	-2%
Financial Services Income*	11.0	14.7	-25%
Lettings income*	19.6	15.8	24%
Asset Management income	9.3	1.8	417%
Other income	19.7	20.8	-5%

Estate Agency - Competitive Strengths & Growth Opportunities

- Strong established high street brands and, with 575 branches, LSL is ranked second largest in the UK by Estate Agency News (January 2010).
- Strong and growing counter-cyclical income streams, such as the generation of lettings and asset management income.
- Growing repossessions asset management business with a strong service ethos.
- Highly profitable business in normal market conditions.
- Technically advanced proprietary browser based IT systems (including Preview and Quicklet) with one IT solution across all brands providing a customer relationship management ability to sell income streams on an automated basis.
- Successful franchise model.
- www.your-move.co.uk - the number 1 UK estate agency branded website by Hitwise (February 2010).



* These figures reflect Your Move and Reeds Rains only.

Estate Agency Performance

The Estate Agency business delivered a significant turnaround in 2009. This was supported by a stronger than anticipated level of housing transactions in the second half of 2009, but still reflected housing transactions at a relative low (597,000 mortgage approvals as opposed to a normal annualise level of 1.2m approvals). The cost actions taken in 2008 resulted in a 10% reduction in expenditure from £90.1m to £81.0m. Estate Agency exchange income was maintained at its 2008 levels, but counter-cyclical income from lettings and asset management continued to grow significantly. The decline in Financial Services income reflected the overall decline in mortgage approvals and the company's focus on reducing the cost base. The numbers of mortgage advisers and the quantum of financial services income are expected to increase in 2010. Overall we are delighted with the turnaround achieved by the Estate Agency segment.

Estate Agency Revenue

The main drivers of estate agency revenue are:

- Exchange fee income, which is linked to housing transaction volumes, house prices and commission rates.
- Franchising income, which is generated from initial deposits on new openings, a monthly service fee of 8% of turnover, plus charges for the provision of IT services.
- Lettings income, which is generated from providing a range of services to landlords and tenants.
- Additional commission income generated through the sale of general insurance, conveyancing services, HIPS, Home Reports, utilities and other products and services to clients of the branch network.
- Financial services income.
- Repossession Asset Management income.

LSLi

This business was launched in early 2007 and is the primary vehicle through which LSL has pursued its strategy to acquire small to medium independent Estate Agency businesses. At 31 December 2009 it operated a network of 18 branches (2008: 15 branches) based in the Home Counties under the following strong local brands:

- ICIEA Limited, trading as "Intercounty" (11 branches) (2008: 8 branches)
- David Frost Estate Agents Limited, trading as "Frosts" (3 branches) (2008: 3 branches)
- JNP (Estate Agents) Limited, trading as "The JNP Partnership" (4 branches) (2008: 4 branches)

Service Quality

LSL's Estate Agency businesses place strong emphasis on the quality of service they provide to customers and are founder members of The Property Ombudsman Scheme. As such our businesses undertake to follow the Code of Practice for Residential Estate Agents, which has been approved by the Office of Fair Trading and exceeds the legal requirements of the Consumers, Estate Agents and Redress Act 2007 (CEARA). All branch based employees of the Estate Agency business complete a specially designed training programme and the quality of service is monitored on a monthly basis.

Awards

During the year both Your Move and Reeds Rains won several major industry service awards. Your Move won the Gold Award for the Best Large Estate Agency of the Year, the Gold Award for the Best Large Lettings Agency of the Year, a Silver Award for the Best Financial Services and the Gold Award for the Best Technology and Web, in the Sunday Times, Estate Agency of the Year Awards 2009.

Reeds Rains won the Gold Award for Innovation and a Bronze Award for Best Financial Services in the Sunday Times, Estate Agency of the Year Awards 2009, a particularly impressive achievement as it was the first time they had entered the awards. Reeds Rains also won the Openwork network award for Best Large Practice General Insurance.

Regulation

Your Move and First Complete are directly authorised by the FSA in relation to the sale of mortgage, pure protection and general insurance products, while all of the other estate agency businesses and Linear are appointed representatives of Openwork. Reeds Rains is also an appointed representative of Letsure for the sale of rent indemnity insurance. LSL's financial services business places strong emphasis on the quality of service it provides to customers and all advisers complete a specially designed comprehensive training programme which is supplemented by effective supervision, regular monitoring and regular refresher training sessions. As a result of Reeds Rains' and Linear's appointments by Openwork, LSL through those companies has a small indirect shareholding of Openwork.

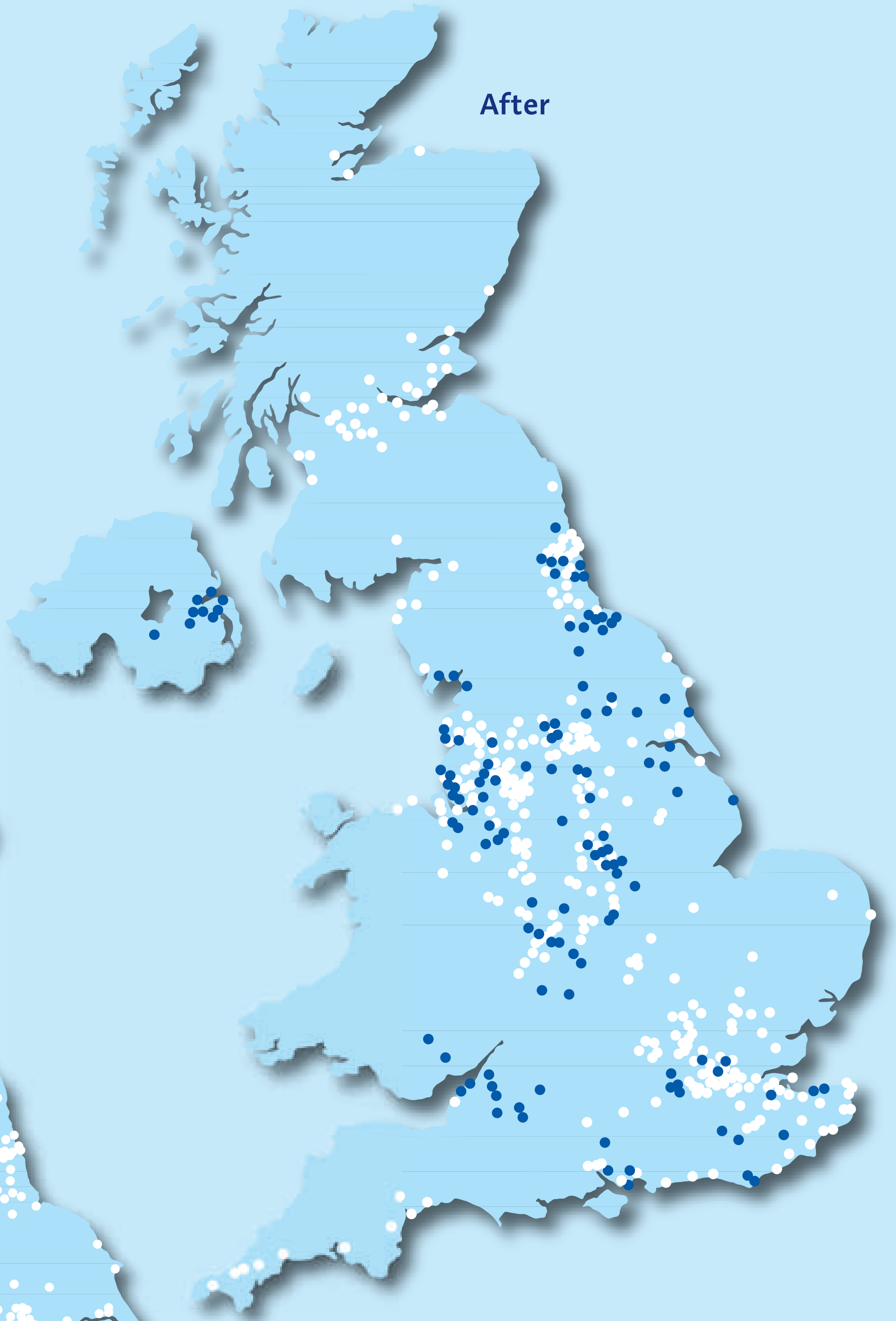
Branch Network

The maps illustrate the LSL estate agency branch network before and after the acquisition of Halifax Estate Agencies Limited (HEAL).

Pre HEAL		Post HEAL	
YM	227	YM	334
RR	124	RR	210
LSLi	18	LSLi	31
TOTAL = 369		**TOTAL = 575**	

● Branches acquired from HEAL

After



Before

Competition

LSL's major competitors in the estate agency market vary from national estate agency chains such as Countrywide and Connells to local independent estate agents. It is estimated that the top five estate agency chains, including LSL, account for circa 20% of all estate agency branches in the UK, regional chains account for a further 10%, and independents make up the rest.

First Complete

As previously reported, we set up LSL Corporate Client Department (a trading name of First Complete), our repossessions asset manager at the start of 2008. The Corporate Client Department, which provides repossessions asset management and corporate lettings services has had an excellent year securing a number of new contracts and has contributed significantly to profits.

In addition LSL CCD has invested in a corporate residential property management team focused on major landlords and aspiring multiple property landlords across the UK, and which has successfully secured a number of key contracts during the year. As a result, it is expected to support the continued growth of lettings income across the estate agency brands in 2010. This is another example of the Group investing and growing its counter-cyclical income streams.

St Trinity

The repossession asset management business established as part of the acquisition of HEAL will provide the Group with additional counter-cyclical income streams.

"The Estate Agency business delivered an excellent performance against a back drop of a market which still remains at 50% of the historic norms in housing transaction volumes and demonstrates the benefits of a lower cost base and significant growth in counter-cyclical income streams."

Business Review & Directors' Report - Financial Review

The key drivers of the financial performance of LSL are summarised below.

Income statement

Revenue

Revenue fell by 2.5% in the year ended 31 December 2009 from £161.8m to £157.7m reflecting the ongoing market conditions.

Operating Expenses excluding exceptional costs, amortisation and share based payment

Operating Expenses were reduced by £14.4m, or approximately 10%, from £144.3m to £129.9m. The principle saving, which amounted to £8.8m, were emoluments.

Underlying Operating Profit

Underlying Operating Profit was £28.3m (2008: £18.2m) with the Underlying Operating Profit margin up 11.3% to 17.9%.

Exceptional Costs

Exceptional costs in the year ended 31 December 2009 amounted to £0.4m (2008: £8.2m).

Net Financial Costs

Net financial costs amounted to £2.2m (2008: £4.0m).

Taxation

The effective rate of corporation tax after excluding the effect of the deferred tax adjustment to goodwill for the year is 29.3% (2008: 11.7%).

Adjusted Basic Earnings Per Share

The Adjusted Basic Earnings Per Share (as calculated in note 10) is 18.1p (2008: 9.4p). The Directors consider this provides a better and more consistent indicator of the Group's underlying performance.

Balance Sheet

Capital Expenditure

Total capital expenditure in the year amounted to £0.7m (2008: £1.0m). The capital expenditure predominantly comprised fixtures, fittings and computer equipment.

Financial Structure

As at 31 December 2009 net debt was £25.7m (2008: £49.2m). LSL has a £75.0m revolving credit facility in place (2008: £75.0m).

Cash Flow

The business is cash generative and has low capital expenditure requirements.

The Group generated net cash from operations of £24.6m (2008: £3.2m). The improved cash generation is due principally to an increase in profitability, the lower level of exceptional costs incurred and a positive movement in working capital of £1.1m.

Net Assets

The net assets as at 31 December 2009 were £45.9m (2008: £33.7m).

Treasury & Risk Management

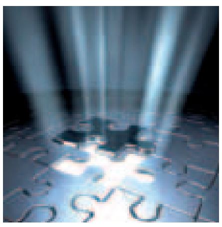
LSL has an active debt management policy and had purchased an interest rate cap, which expired in August 2009 and restricted LIBOR to 6% on £30.0m of debt. In addition, LSL entered into three interest rate swap agreements in April and May 2009 to protect itself against an increase in interest rates in the future for £25m of the Group's bank borrowings based on the forecast utilisation of the borrowing facilities over the period of the hedge. The interest rate swap agreements restrict the LIBOR to 2.93% until April and May 2014. LSL does not hold or issue derivatives or other financial instruments for trading purposes.

International Financial Reporting Standards (IFRS)

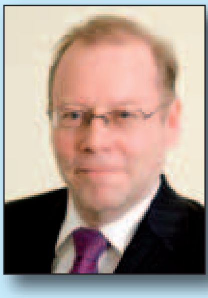
The Financial Statements have been prepared under IFRS as adopted by the European Union. LSL commenced reporting under IFRS from 1 January 2005.

Simon Embley
Group Chief Executive Officer

Dean Fielding
Group Finance Director



Directors' Profiles

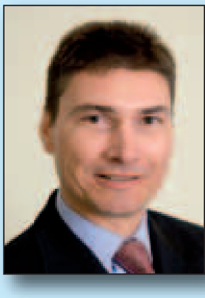


Paul Latham

Deputy Group Chief Executive Officer of LSL and responsible for the Group's surveying division, aged 54. Paul was appointed as Managing Director of e.surv in 2000. At the time of the management buy-out in 2004, Paul became the Deputy Chief Executive Officer of LSL. Paul has overall responsibility for the performance of the Group's surveying division. Since 2000 he has overseen the development of the surveying divisions into the UK's largest distributor of residential valuations. Paul holds an honours degree from the University of Reading and is a qualified Chartered Surveyor and is currently the Chair of the Residential Faculty of The Royal Institution of Chartered Surveyors. He is also recognised by customers as a leading exponent of technology solutions to provide real estate valuation advice to financial institutions.

Dean Fielding

Group Finance Director aged 44. Dean has been with LSL since 1995 when he joined GA Property Services, the previous name under which Your Move operated, as a management accountant in residential sales. In March 2002 Dean became the Finance Director of Your Move and e.surv, two of LSL's subsidiaries. Dean became Group Finance Director at the time of the management buy-out in 2004. Dean is responsible for the financial strategy and ensuring that LSL maintains strong systems and internal controls. Dean is a Chartered Accountant.

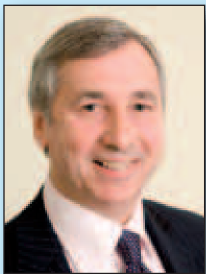


Mark Morris

Senior Independent Non Executive Director, aged 49. Mark was appointed as a Non Executive Director of the Board and Audit Committee Chairman in October 2006 and as the Board's Senior Independent Director in October 2007. Mark is a Chartered Accountant and a Non Executive Director and Audit Committee Chairman of Homeserve plc. Mark previously worked at Sytner Group as Finance Director and Managing Director from 1995 to 2005 including the period during which Sytner was listed on the London Stock Exchange, and was responsible for their extensive acquisition programme. Prior to this Mark spent 12 years with PricewaterhouseCoopers in audit and corporate finance.

Simon Embley

Group Chief Executive Officer, aged 49. Simon became the Chief Executive Officer of the Board at the time of the management buy-out of e.surv and Your Move from Norwich Union in 2004. Simon is responsible for the strategic direction of LSL. From 2001 until the management buy-out, Simon was Managing Director of Your Move, where he oversaw its turnaround from a heavily loss-making business to the successful business it is today. His previous experience includes establishing Norwich Union's pensions business in Poland for eighteen months and in 2000 he was a Director of Norwich Union Wealth Management.



Roger Matthews

Non Executive Chairman, aged 55. Roger was appointed to the Board on 11 October 2006. Roger is also Chairman of MITIE Group plc, a Non executive Director of Zetar plc and is a Trustee of Cancer Research UK. Previously Non Executive Chairman of Land of Leather Holdings plc and Sainsbury's Bank, Group Finance Director of J.Sainsbury plc, Managing Director and Finance Director of Compass Group plc and worked for Grand Metropolitan plc, Cadbury Schweppes plc and Pricewater-houseCoopers. He is a Chartered Accountant.

Mark Pain

Mark Pain, 48, was appointed as an Independent Non-executive Director and chair of the Remuneration Committee on 1 July 2009. Mark served as Chief Financial Officer of Barratt Developments plc from 2006 to 2009. He was previously at Abbey National Group plc, where he held a number of senior management roles from 1989 to 2005, including Group Finance Director from 1998 to 2001 and Customer Sales Director from 2002 to 2005. Mark is a Non-executive Director of Johnston Press plc, where he chairs the Audit Committee, Punch Taverns plc and of Northern Rock plc. Mark is also a trustee of Somerset House. Mark is a Fellow of the Institute of Chartered Accountants (FCA).

Press coverage

"The Group has made substantial progress in 2009 and ends the year in a much stronger position in both the surveying and estate agency divisions."

Report of the Directors

Principal Activities

LSL Property Services plc is the holding company for a number of residential property services related businesses. The Group's principal activities are estate agency, asset management, property management, surveying and financial services.

Business Review & Development

The Chairman's Statement and the Business Review set out a review of the business including details of LSL's performance and development.

Annual General Meeting

The AGM will be held at the offices of Buchanan Communications, 45 Moorfields, London, EC2Y 9AE on 21 April 2010 starting at 2.30pm.

The notice convening the AGM is in a separate circular to be sent to shareholders with this Report. The document also includes a commentary on the business of the AGM and notes to help shareholders to attend, speak and/or vote at the AGM.

Results & Dividends

The Business Review and Financial Statements set out the results of LSL.

On the basis of the strong operating performance during the year, the reduction in net debt, and the prospects for growth longer term, the Board has decided to resume dividend payments in line with our previously stated dividend policy. The Board has declared an interim dividend payable of 5.4 pence per share, effectively replacing any final dividend payable. The dividend will be paid on 31 March 2010 to shareholders on the register at 10 March 2010.

The Board in declaring an interim dividend remains committed to its previously stated dividend policy, which reflects the cash-generative nature of the businesses, the long term earnings potential of the Group and the opportunities to invest in organic growth and growth through selective acquisitions, once market conditions improve. The policy adopted at flotation states that the dividend will be between 30% to 40% of profit after tax.

Employees

The Group's practice is to keep all of our employees informed on matters affecting them, through consultation and information on the general financial and economic factors affecting the Group's performance.

The Group has an equal opportunities policy so that all job applicants are treated fairly and without favour or prejudice throughout selection, recruitment, training, development and promotion.

The Group's policy on disabled employees is detailed in the Corporate Social Responsibility Statement.

Financial Instruments

The Business Review sets out LSL's strategies and objectives relating to treasury and risk management. Details of the financial instruments are set out in note 28 of the Accounts.

Directors

The current Directors are listed with their biographies in Directors' Profiles. Following the resignation of Mark Warburton on 1 July 2009, LSL appointed Mark Pain to the Board as a Non Executive Director and Chair of the Remuneration Committee on 1 July 2009. Full details of Director appointments and resignations are also detailed at page 36 in the Directors' Remuneration Report.

Re-election and election

In accordance with the Articles of Association Simon Embley and Mark Morris will retire at the AGM and, being eligible, intend to stand for re-election. The biographical details for all Directors including Simon Embley and Mark Morris are set out on page 23 of this Report. During the 2009 Board effectiveness review, the performance of all those Directors standing for re-election or election was specifically evaluated and the Board confirmed that it values the experience and commitment to the business demonstrated by each of these individuals.

The Board may appoint an individual to act as a director, but anyone so appointed will retire from office at the next AGM and seek election, accordingly Mark Pain having been appointed to the Board since the last Annual General Meeting and pursuant to the Company's Articles of Association, will stand for election. LSL may by ordinary resolution elect or re-elect an individual as a director.

Report of the Directors (continued)

Directors' Interests

The interests of the current Directors in the ordinary shares at the beginning of the financial period, or their date of appointment if later, and at the end of the financial period are set out below:

NAME	shares at 01/01/2009	% of Issued share capital	shares at 31/12/2009	% of Issued share capital
Simon Embley	9,307,074	8.94%	9,930,500	9.53%
Dean Fielding	6,111,876	5.87%	6,100,000	5.86%
Paul Latham	6,909,167*	6.63%*	6,909,167*	6.63%*
Roger Matthews	86,882	0.08%	86,882	0.08%
Mark Morris	27,283	0.03%	53,,972	0.05%
Mark Pain	–	–	–	–
Mark Warburton**	7,438	0.01%	7,438	0.01%

* Paul Latham's holding includes shares acquired by his children.
** Mark Warburton's shareholding as at 1 July 2009.

In addition to the above, Simon Embley and Paul Latham acquired an option in April 2008 to acquire 8,311 ordinary shares each in 2011 at a price of £1.15 per share as part of LSL's 2008 Save As You Earn scheme (SAYE).

Details of the Executive Directors' service agreements and the Non Executive Directors' letters of appointment are set out in the Remuneration Report.

In the period between 31 December 2009 and the date of this Report, the only change in Directors' interests was a transfer by Roger Matthews to Mrs H Matthews of his shareholding in the Group.

The Board has during the year put in place arrangements for the management and recording of conflicts in line with its policy. Further, during the year, no Director was materially interested in any contract that is or was significant to the business of the Group or any subsidiary undertaking.

Auditors

Ernst & Young LLP the external auditors of the Group have advised of its willingness to continue in office and a resolution to re-appoint them to this role and the authority for their remuneration to be determined by the Directors will be proposed at the AGM.

Details of LSL's policy designed to safeguard the independence and objectivity of the external auditors are included in the Corporate Governance section of this Report.

Share Capital

LSL 0.2 pence ordinary shares are listed on the London Stock Exchange and are the only class of shares in issue.

Rights and obligations attached to shares

Each issued share has the same rights attached to it as every other issued share; the rights of each shareholder include the right to vote at general meetings, to appoint a proxy or proxies, to receive dividends and to receive circulars from LSL.

Details of share capital are set out in note 23 of the Accounts. There have been no changes to the share capital during 2009. A renewal of the authority for the Directors to allot unissued ordinary shares and a renewal of their power to dis-apply statutory pre-emption rights will be proposed at the AGM. Full details of the deadline for exercising voting rights in respect of the resolutions to be considered at the Annual General Meeting are set out in the Notice of Meeting.

Substantial Shareholding

As at 2 March 2010, the shareholders set out below have notified LSL of their interest in 3% or more of the issued ordinary shares:

Institutions	Nature of holding	Number of 0.2 pence ordinary shares	% of issued shares
State Street Nominees Limited	Registered Holder	10,051,801	9.65%
JP Morgan Clearing Corp	Registered Holder	8,848,785	8.50%
Chase Nominees Limited	Registered Holder	7,602,108	7.30%
HSBC Global Custody Nominee (UK)	Registered Holder	6,481,085	6.22%
Vidacos Nominees Limited	Registered Holder	5,455,372	5.24%
BPE General Partner Limited	Beneficial Owner	7,290,398	7.00%
Barclays Industrial Investments	Beneficial Owner	4,039,784	3.88%
Individuals (excluding Executive Directors)			
David Newnes	Registered Holder		
	& Beneficial Owner	5,569,250	5.35%

Employee Share Schemes

LSL has appointed Capita Trustees Limited (**Trustees**) to operate the LSL Property Services plc Employee Share Scheme (**Trust**) which was established prior to LSL's flotation in 2006.

The Trustees operate both the LSL Property Services plc Employee Share Incentive Plan (Buy As You Earn) and Save As You Earn Plans.

The Trust is able to acquire and to hold shares to satisfy options or awards granted under any discretionary share option scheme or long term incentive arrangement operated by LSL. Details of the shares acquired by the Trust are set out in note 24 of the Accounts.

The Trustees of the Scheme have waived the right to any dividend payment in respect of each share held by the Scheme.

Charitable & Political Donations

LSL Group companies in total made a number of charitable donations throughout the year totalling £730 (2008: £17,841) during the financial period.

Creditors & Supplier Payment Policy

LSL's normal terms are to make payment in accordance with suppliers' terms of trade or within 45 days (2008: 45 days) from the receipt of services or invoices subject to satisfactory performance by the supplier. At 31 December 2009, LSL Property Services plc had no trade creditors outstanding. The payment terms of individual operating subsidiaries are disclosed in their accounts. For further details on LSL's policy statement regarding the management of suppliers, please see the CSR statement on pages 38 and 39 of this Report.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review on pages 11 to 22. The financial position of the Group, its cash flows, liquidity position and the Group's policy for treasury and risk management are described in the Financial Review on page 22. Details of the Group's borrowing facilities are set out in note 20 to the financial statements. Note 28 to the financial statements describes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. A description of the Group's principal risks and uncertainties and arrangements to manage these risks are detailed at pages 11 to 12 of this Report.

As explained in note 20 to the financial statements, the Group meets its day to day working capital requirements through a revolving credit facility, which is due for renewal in July 2010 but can be extended until July 2011 only at the option of the Group. As stated in note 18 as at

31 December 2009 the Group had available £50.8m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the terms of its current facility.

The Directors have reviewed the Group's forecasts and budgets, which have been stress tested with various changes to the assumptions underlying the forecasts and budgets. The Directors also examined the Group's financial adaptability as part of that review and concluded that, should it be necessary, the Group would be able to respond to a reasonably foreseeable deterioration in market conditions by making further reductions to the cost base, as it was able to achieve in 2009.

The trading performance of the Group has improved significantly in 2009. Underlying operating profits have improved by 55%, net debt has reduced from £49.2m to £25.7m, and counter cyclical income streams such as asset management and lettings have continued to grow and represent a greater proportion of the Group's profitability. After making enquiries, the Directors consider that LSL and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure of Information to Auditors

Having made enquiries of fellow Directors and of the external auditors, each of the current Directors confirms that:

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

Directors' Qualifying Third Party Indemnity Provisions

The Company had qualifying third party indemnity provisions for the benefit of the Directors in force from the start of the financial period to the date of this Report, subject to the conditions set out in the Companies Act 2006. LSL has put in place 'Directors & Officers Liability' insurance to cover for this liability.

Additional information for shareholders

The following provides the additional information required for shareholders as a result of the implementation of the Takeovers Directive into UK Law.

Share Capital

At 31 December 2009, LSL's issued share capital comprised 104,158,950 0.2p Ordinary Shares. The authorised share capital is 500,000,000 Ordinary Shares of 0.2p each.

Other than the lock in agreements entered into with two members of the senior management team which will expire in May 2010, LSL is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

Ordinary shares

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

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

- certain restrictions which may from time to time apply under applicable laws and regulations (for example, insider trading laws and market requirements relating to close periods) and;
- pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's securities.

LSL's Articles of Association may only be amended by way of a special resolution at a general meeting of the shareholders.

Company share schemes

The LSL Property Services plc Employee Benefit Trust holds 1.1% (2008: 1.24%) of the issued share capital of LSL in trust for the benefit of employees of the Group and their dependents. The voting rights in relation to these shares are exercised by the Trustees.

Substantial Shareholdings

These details are set out at page 27 of this Report.

Significant Agreements - Change of control

Subsidiaries of LSL are party to agreements which take effect, alter or terminate upon a change of control of the company following a takeover bid.

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

Compensation for loss of office – Change of control

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

Directors' responsibility statement

Each of the Directors listed on page 23 confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair review of the assets, liabilities, financial position and results of the Company and its subsidiaries included in the consolidation taken as a whole, and
- the Directors' Report and the Business Review include a fair review of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by and signed on behalf of the Board of Directors

Sapna B FitzGerald

Company Secretary
3 March 2010

Corporate Governance Report

Combined Code

The Directors recognise the value and importance of meeting the principles of good corporate governance as set out in the Combined Code. This part of the Report describes the Corporate Governance arrangements that are in place.

During 2009, LSL complied with the provisions of the Combined Code in all respects.

The Board

The Board has six members and it comprises the Chairman, three Executive Directors and two independent Non-Executive Directors. The Directors are listed with their biographies in Directors' Profiles. There is a clear division of responsibilities between the Chairman whose key responsibility is the effective running of the Board, and the Chief Executive, whose key responsibility is the running of the business.

The Chief Executive's delegated powers have been set by the Board and the Directors are satisfied that the balance of Executive and Non-Executive Directors is appropriate and that no individual or group may dominate the Board's decisions. The Non-Executive Directors are independent of management and have a range of experience covering corporate governance, customer and employee issues, strategy, business operations and finance.

When Roger Matthews was appointed Chairman he was deemed to be independent under the provisions of the Combined Code. Since then he has also become a Non-Executive Chairman of MITIE Group plc and a Non-Executive Director of Zetar plc.

During the year the Directors undertook an evaluation of the performance of the Board. This included an evaluation of the Board, the Board committees and of individual Directors to ensure that the Directors remain individually and collectively effective. The evaluation process involved discussions between each Director and the Chairman and meetings of the Board and the Non-Executive Directors (including discussions without the Chairman present to appraise his performance). The Non-Executive Directors evaluate the Chairman's performance, after taking into account the views of the Executive Directors. No significant issues requiring action arose from these evaluations.

Copies of the Executive Directors' service agreements and of the Non Executive Directors' letters of appointment are available for inspection at the Registered Office during normal business hours and at each AGM.

All Directors may receive independent professional advice at the Company's expense, if necessary, for the performance of their duties. This is in addition to the access every Director has to the Company Secretary and her team. The Company Secretary is responsible for advising the Board on all matters of corporate governance, ensuring that all Board procedures are followed and facilitating training.

Each newly appointed Director received an induction on the responsibilities of a listed public company Director and on LSL's business. Thereafter, LSL provides the necessary resources for developing this understanding and knowledge.

During 2009 the Board held 11 scheduled meetings and the attendance of each of the Directors at these meetings as a Director or a committee member is set out below. During 2010 the Board is scheduled to meet 10 times and additional meetings will be held as required.

During 2009 the Non-Executive Directors and the Chairman collectively met twice without the Executive Directors being present and it is the intention that this will be repeated in 2010.

Director	Board	Audit Committee	Remuneration Committee	Nominations Committee
Roger Matthews	11	4	5	2
Simon Embley	11	–	–	–
Paul Latham	11	–	–	–
Dean Fielding	11	–	–	–
Mark Morris	11	4	5	2
Mark Warburton*	6	2	2	1
Mark Pain**	5	2	2	1

*Mark Warburton resigned on 1 July 2009.
**Mark Pain joined the Board on 1 July 2009.

In accordance with the Articles of Association, Simon Embley and Mark Morris will retire at the AGM, and, being eligible, are intending to stand for re-election at the meeting. At each subsequent AGM, all Directors appointed since the previous AGM and circa one-third of the remaining Directors, including any Director who has not been elected or re-elected at either of the two preceding AGMs, will retire by rotation and may seek re-election. The Board can appoint a Director outside of a general meeting but anyone so appointed must be elected by an ordinary resolution at the next general meeting.

The Board is primarily responsible for decisions on Group strategy, including approval of strategic plans, annual budgets, interim and full year financial statements and reports, dividend and accounting policies and all material capital projects, investments and disposals, and the monitoring of financial performance against budget and forecast. There is a schedule of Matters reserved for the Board, a copy of this is available on LSL's website (www.lslps.co.uk).

There is a programme of regular reviews of performance and developing best practice in matters such as Health and Safety, security and corporate social responsibility. The Board takes account of the significance of environmental, social and governance matters when making decisions.

The Board has adopted principles of good boardroom practice which set out procedures on how Directors are given accurate, timely and clear information and how they can seek and obtain information or advice necessary for them to discharge their duties.

Board Committees

The Board has delegated specific responsibilities to three standing Committees of the Board: Audit, Nominations and Remuneration. The membership of these Committees and a summary of their main duties under their terms of reference are set out below. The full terms of reference may be viewed on LSL's website (www.lslps.co.uk). It is the intention that the Chairman of each of the Committees will attend the AGM to answer any questions.

Audit Committee

The Audit Committee is chaired by Mark Morris and its other members are Roger Matthews and Mark Pain. Mark Pain was appointed on 1 July 2009 following Mark Warburton's resignation as a Director. The Board is satisfied that Mark Morris has recent and relevant financial experience as is required by the Combined Code.

The Committee met on four occasions in 2009. LSL's internal and external auditors, the Chief Executive and the Group Finance Director are invited, but are not entitled, to attend and speak at meetings. The Audit Committee met with the auditors without the Executive Directors being present twice during 2009.

The duties of the Audit Committee are governed by its terms of reference, which were reviewed during the year, and include monitoring the integrity of LSL's financial statements, reviewing the effectiveness of the internal control and risk management systems, reviewing procedures for handling any internal allegations, overseeing and assessing the effectiveness of the internal audit function, overseeing the relationship with the external auditor, and reviewing the scope, effectiveness and results of audits.

The Committee has an established programme of work to ensure that each of its responsibilities is covered adequately during the year. Two of its meetings are focused primarily on external reporting and external audit, and two on risk, internal control and internal audit. Areas of particular focus during the year have been reviewing valuation controls within the surveying division, re-evaluating the internal audit approach for estate agency branches, and a continued focus on potential fraud areas.

To guard against the objectivity and independence of the external auditors being compromised, the Audit Committee has adopted a policy under which any non audit related services provided by the external auditors must be approved by the Committee or be within a pre-approved category and a pre-approved fee limit.

The policy stipulates restrictions and procedures in relation to the potential allocation of non audit work to the auditor. These include categories of work which cannot be allocated to the auditor, and categories of work which may be undertaken by the auditor, subject to certain provisions as to materiality, nature of and competency to perform work, or the approval of the Audit Committee. The Audit Committee is kept informed of the fees paid to the auditor in all capacities.

The split between audit and non audit fees for 2009 appears at note 9 to the Accounts. The non audit fees related to a potential interest saving, low cost financing project and reporting on banking covenants. The Committee considered that Ernst & Young were best placed to carry out this exercise.

The amount and nature of non audit fees are considered by the Committee not to affect the independence or objectivity of the external auditor.

Corporate Governance Report (continued)

Nominations Committee

Roger Matthews is the Chairman of the Nominations Committee and the other members of the Committee are Mark Morris and Mark Pain. Mark Warburton was a member of the committee until his resignation on 1 July 2009. The Committee met on two occasions in 2009.

The duties of the Nominations Committee include reviewing the structure, size and composition of the Board, reviewing succession plans for the Directors, and making recommendations to the Board on membership of the Board and of its Committees.

The Nominations Committee makes recommendations to the Board regarding the appointment of Non Executive and Executive Directors. The Committee ensures any appointment or re-appointment is made on merit and against an objective criteria. The Company carefully considers the structure of the Board and Non Executives are selected for their mix of experience in strategic, financial and operational matters.

During the year, the committee nominated Mark Pain for appointment as a Non-Executive Director. He was selected by the committee for his relevant experience in the sector based on discussions with advisers.

Remuneration Committee

During 2009 the Remuneration Committee was chaired by Mark Morris until Mark Pain's appointment on 1 July 2009 and its other members were Mark Warburton, until his resignation and Roger Matthews. During 2009 it met four times. The CEO and Group HR Director are invited but are not entitled, to attend and speak at meetings and the CEO was not present when his remuneration was discussed. In addition, the Group HR Director assisted the Committee in its deliberations during this period and has attended most of the Committee meetings in 2009.

The Remuneration Committee has responsibility for determining, within agreed terms of reference, LSL's policy on the remuneration of senior executives and specific remuneration packages for Executive Directors, including pension rights and compensation payments. It is also responsible for making recommendations for grants of shares under the employee share schemes. The Remuneration Report provides details of how the Committee has discharged these duties.

The Remuneration Committee receives a number of bench marking reports on an annual basis, which benchmark executive directors and senior management remuneration packages. In addition, during the year the Remuneration Committee has received advice from Deloitte and Touche LLP regarding developments in executive bonus schemes and long term incentive plans.

The Remuneration Committee may, in exercising its discretion in relation to the remuneration of Executive Directors, take into account LSL's performance on governance and CSR related issues. Further, it ensures that the incentive schemes put in place for members of the senior management team do not raise any environmental, social or governance issues by inadvertently motivating irresponsible behaviour.

In addition, the Remuneration Committee provides a framework for the Board's discussions on succession planning for all senior managers. The remuneration of Non Executive Directors is a matter for the Board. No Director or manager may be involved in any decisions as to their own remuneration.

Shareholder Relations

LSL places a great deal of importance on communication with its stakeholders and is committed to establishing constructive relationships with investors in order to assist it in developing an understanding of the views of its shareholders. LSL maintains a dialogue with institutional shareholders through regular meetings with institutional shareholders to discuss its strategy and performance and to obtain investor feedback. The views of the shareholders expressed during these meetings are reported to the Board, general presentations are held after the interim and preliminary results.

The Board considers that the main forum for communication with non-institutional shareholder is at the Annual General Meeting and it is the intention of each of the Directors to attend the AGM.

All Company announcements are published on the LSL website, together with presentation material and copies of the Group's financial reports.

The Chairman Roger Matthews, the Senior Independent Director Mark Morris and Mark Pain are available to meet with shareholders to discuss any issues or concerns. They can be contacted through the Company Secretary's office.

Model Code

LSL complies with a code on securities dealings in relation to its ordinary shares which is consistent with the Model Code published in the Listing Rules. This code applies to the Directors and relevant employees of LSL.

Internal Controls

The Board has overall responsibility for LSL's system of internal controls and for reviewing its effectiveness. In order to discharge that responsibility, the Board has established the procedures necessary to apply the Combined Code, including clear operating procedures, lines of responsibility and delegated authority. These procedures have been in place since the Group was listed and are regularly reviewed by the Board.

The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for preparation of consolidated accounts. These systems include policies and procedures to facilitate the maintenance of records that accurately and fairly reflect transactions, provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial reporting Standards ("IFRS") or UK Generally Accepted Accounting Principles, as appropriate, and that require reported data to be reviewed and reconciled.

The system of internal control is an ongoing process designed in accordance with the guidance of the Turnbull Committee on 'Internal Control' to identify, evaluate and manage significant risks faced by LSL. Its aim is to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material mis-statement or loss. The internal controls are also in place to safeguard shareholder investment and LSL's assets.

During 2009 the Executive Directors have continually identified, evaluated and managed material risks and uncertainties faced by LSL which could have adversely affected LSL's business, operating results and financial condition. The effectiveness of the internal control system and risk management process is kept under review by the Audit Committee and has been reviewed by the Board. The principal risks and uncertainties facing LSL are set out in the Report of the Directors.

LSL operates a management structure with delegated authority levels and functional reporting lines and accountability. It also operates a budgeting and financial reporting system which compares actual performance to budget and to the previous year on a monthly basis. In addition, the Executive Directors receive daily information on sales activity and weekly information on key result areas. All capital expenditure and other purchases are subject to appropriate authorisation procedures.

The Group has an internal audit team which regularly submits reports to the Audit Committee and this, together with the internal controls system and risk management process in place within LSL, allows the Board to monitor financial and operational performance and compliance with controls on a continuing basis and to identify and respond to business risks as they arise.

Takeover Directive

The Group has addressed the matters required to be addressed by the Takeover Directive which was implemented in the UK in accordance with statutory provisions in Part 28 of the Companies Act 2006 in the Directors' report. Please refer to page 29 of the Directors' report.

Approved by and signed on behalf of the Board of Directors

Sapna B FitzGerald

Company Secretary
3 March 2010

Directors Remuneration Report

Details of the Remuneration Committee composition and responsibilities are set out in the Corporate Governance Report.

The Remuneration Committee has considered in the financial period matters relating to the remuneration of the Chairman and the Directors.

Remuneration Policy

LSL strategy has been designed to create shareholder value and the aim of LSL's remuneration policy is to attract, retain and motivate Directors with the experience and skills necessary to deliver that strategy and to run LSL successfully. The Remuneration Committee reviews the policy annually in light of market conditions, performance and developments in good corporate governance.

The Executive Directors salaries have not been increased since January 2007. In addition, no long term incentive awards have been made to Executive Directors during this period. As a result the Executive Directors remuneration packages are well below the market norms. The Committee has conducted a benchmarking review and received advice from Deloitte and Touche LLP, and as a result has decided to increase Executive Director salaries in 2010 and also introduce a Joint Ownership share plan. This new share plan will require shareholder approval at the AGM in April 2010 and the Committee intends to consult with major shareholders on these changes and to disclose these changes in the 2010 Directors Remuneration Report.

Directors who held shares at the time of flotation have retained significant interests in LSL's shares and will derive a proportion of their regular income from dividends and long-term income through the increase in the price of these shares. For these reasons the interests of these Directors are closely aligned with the interests of the other shareholders.

The Remuneration Committee has reviewed its share ownership guidelines. These guidelines encourage executives to hold a substantial element of their personal wealth in the Group's shares. It is the Remuneration Committee's policy that executive directors should over time, acquire a shareholding with a value equal to at least one years' gross salary. We expect this guideline will be achieved within three years of the date of such review or, where later, within three years of appointment. This is to be achieved by retaining any vested share awards or through open market purchase.

The payment of basic salaries, other cash benefits and pensions are not related to performance. The payment of bonuses and the exercise of long-term incentives are related to performance, as set out below.

The remuneration of the Chairman and Non-Executive Directors is a matter for the Board. No Director may be involved in any decisions as to their own remuneration.

Fees

The Non-Executive Directors' fees were fixed at the time of flotation and are reviewed periodically by the Board. No increases were awarded during 2009.

Save for Simon Embley's appointment to a small estate management company, none of the Executive Directors hold non-executive directorships of any other companies other than to represent the minority interests of the Group. No remuneration is received by the individual or Group in relation to this.

Executive Directors' Salaries

The basic salaries for 2009 of the Executive Directors are:

Simon Embley	**£ 180,000**
Paul Latham	**£ 145,000**
Dean Fielding	**£ 125,000**

Details of the Directors' emoluments for 2009 are summarised in the table on page 36 (see Directors' Emoluments Table). Salaries are reviewed annually but there is no obligation to make any increase. The basic salaries were not increased in 2009.

Performance Bonuses

Where bonuses are granted, the Remuneration Committee will set out the maximum amount that may be earned and the performance conditions that must be achieved before payment is made. The Executive Directors were awarded bonus payments equivalent to 100% of salary for 2009, having fully achieved the performance criteria set by the Committee.

A bonus arrangement has been put in place for the Executive Directors for 2010. Under the arrangement the maximum bonus payable to each of the Executive Directors will be equal to 100% of basic salary over the period. The performance target is based on LSL's budgeted Underlying

Operating Profit after payment of bonus. In considering payment of the bonus the Board will consider performance against other KPI's including earning per share, market share, cash generation, investor relations and board performance, providing a balanced and measured basis for bonus award. The payment of any bonus is discretionary and will be awarded by the Remuneration Committee.

Long-term Incentives

A number of senior management employees including the Executive Directors currently own approximately 32% of LSL.

LSL has also established a long term incentive plan to ensure that key employees are properly incentivised and fully committed to the long term growth of the business. Where options are granted the Remuneration Committee will approve the individual grants and criteria that must be achieved before options vest on a case to case basis. These criteria will be stretching and challenging.

During 2009 no options were granted because of the prevailing market conditions. This will be reviewed during 2010. To date no long term incentive or executive share options have been granted to any of the Executive Directors. While a Deferred Bonus Plan was adopted by the Board in November 2006, no awards have been granted under this plan to date.

Save-As-You-Earn scheme

Simon Embley and Paul Latham participated in LSL's 2008 Save-As-You-Earn (SAYE) scheme, which entitles them to acquire 8,311 ordinary shares each in 2011 at a price of £1.15 per share. There were no options exercised during the year or exercisable at the end of the year. The options are only exercisable effective 1 May 2011 if the Directors remain in service for the full duration of the option scheme (three years). The options will expire on 1 October 2011. The market price of the Company's shares on 31 December 2009 was £2.58 per share. The highest and lowest market prices during the year for each share under option that is unexpired at the end of the year were £3.14 per share and 49p per share respectively.

Further details on the terms of 2008 and 2007 SAYE schemes can be found in note 12 of the financial statements.

Executive Directors' Pensions

The Executive Directors' pension scheme is a money purchase scheme and the aggregate amount set aside by LSL to provide pension, retirement or similar benefits in relation to the Executive Directors in the financial year ended 31 December 2009 was £11,063 (2008: £23,753). This was made up as follows: Simon Embley £2,250 (2008: £9,000), Dean Fielding £1,563 (2008: £6,250), and Paul Latham £ 7,250 (2008: £7,503).

Executive Director Service Arrangements

The Executive Directors have entered into service agreements with LSL, under which they are to remain employed on an ongoing basis, summaries of which are set out in the table below.

	Continuous Employment Since	Notice Period (both parties)	Pension	Car and other Allowances	Holiday
Simon Embley (Group CEO)	31.08.1993	9 months	£2,250	Allowance (£10,375 p/a)	30 days
Dean Fielding (Group FD)	01.05.1995	6 months	£1,563	Allowance (£8,500 p/a)	30 days
Paul Latham (Group Deputy CEO)	21.11.1987	9 months	£7,250	Company Car (£10,107 p/a)	30 days

Each of the service agreements allows LSL to place the Director on 'garden leave' for a maximum period of six months in the event the Director has given, or is given, notice to terminate their employment. Each of the agreements also provides for the relevant Executive Director to receive medical insurance, life assurance and permanent health insurance as well as a discretionary bonus (see Performance Bonuses above for details relating to bonus awards). None of the Executive Directors is entitled to any benefit on termination of his service agreement other than contractual benefits to be provided during any notice period.

Directors Remuneration Report (continued)

Non-Executive Director Appointment Arrangements

Non-Executive Director	Date of Appointment
Roger Matthews	11 October 2006
Mark Morris	11 October 2006
Mark Pain	1 July 2009
Mark Warburton	11 October 2006 (resigned 1 July 2009)

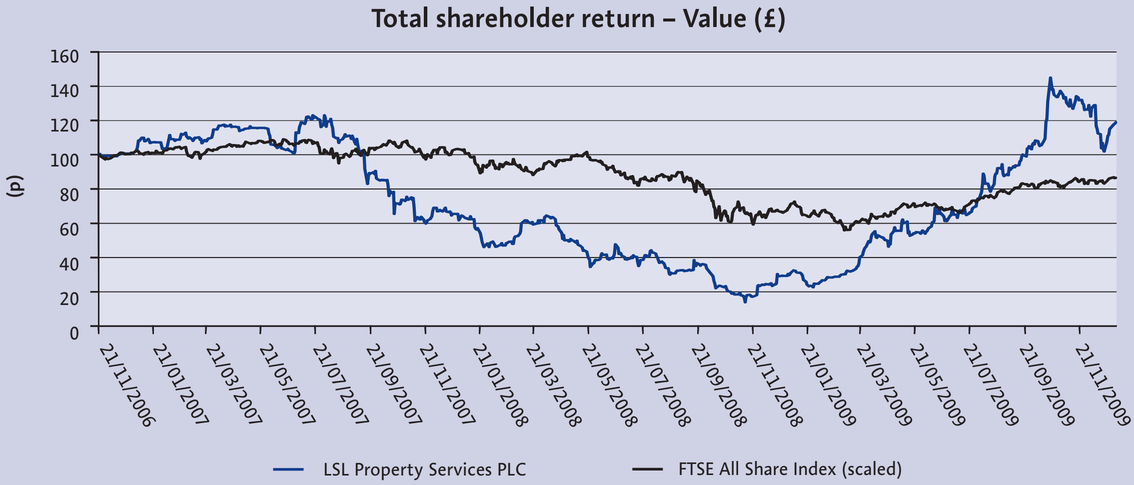
Roger Matthews, Mark Morris and Mark Pain each have letters of appointment, which were issued by LSL on appointment and which became effective on admission. The fees due for such appointments are detailed in the Directors' Emoluments table overleaf. Under the terms of each letter of appointment the appointment is for an actual term of three years unless otherwise terminated earlier by, and at the discretion of either party on three months' notice. In addition, the appointments may be terminated by LSL for cause. The Non-Executive Directors are not entitled to participate in LSL's executive remuneration programmes or pension arrangements. During the year the Company extended Roger Matthews and Mark Morris' appointments as Non- Executive Directors for a further three year term.

Directors' Emoluments table

Details of each Director's remuneration for the year ended 31 December 2009 are as follows:

	Salary	Related Bonuses	Allowances & Benefits (excluding pension)*	2009 Total	2008 Total
Simon Embley (Group CEO)	£180,000	£180,000	£11,504	£371,504	£190,864
Dean Fielding (Group Finance Director)	£125,000	£125,000	£10,536	£260,536	£135,090
Paul Latham (Deputy CEO)	£145,000	£137,750	£12,143	£294,893	£160,567
Roger Matthews (Chairman)	£83,343	nil	nil	£83,343	£100,000
Mark Morris (Non-Executive Director)	£40,000	nil	nil	£40,000	£40,000
Mark Warburton (Non-Executive Director)	£17,500	nil	nil	£17,500	£35,000
Mark Pain (Non-Executive Director)	£17,500	nil	–	£17,500	–

Only the above table forms part of the Financial Statements on which the auditors have expressed their opinion in their report
* Excludes costs associated for the SAYE 08 scheme referred to at page 35



Shareholder Return —21 November 2006 to 31 December 2009

Total shareholder return – Value (£)

This graph shows the value, by the end of December 2009, of £100 invested in LSL Property Services plc on 21 November 2006 compared with the value of £100 invested in the FTSE All Share Index. The FTSE All Share Index has been selected as a sufficiently broad market index which is most comparable to LSL.

The mid market price of LSL shares in the financial period ranged from 49p to £3.14.

Approved by and signed on behalf of the Board of Directors

Sapna B FitzGerald
Company Secretary
3 March 2010

Corporate Social Responsibility

The Board has overall responsibility for establishing the Group's Corporate Social Responsibility policy. LSL believes that its focus on CSR not only delivers benefit to our key stakeholders but will also help to make the Group more competitive going forward. As part of its regular risk assessment procedures, the Board takes account of the significance of environmental, social and governance (**ESG**) matters to the business of LSL. The Board has identified the significant ESG risks to LSL's short and long term value, as well as the opportunities to enhance value that may arise from an appropriate response. The Board has ensured that LSL has in place effective systems for managing and mitigating significant risks, which, where relevant, incorporate performance management systems and appropriate remuneration incentives.

1. Employee Welfare

Approach

LSL's aim is to be recognised by existing and potential future employees as a responsible employer that values its people and the contribution they make both in the business and in the wider community. LSL believes that as a market leader in both surveying and estate agency our employees are our key differentiator and it is this principle that guides our decision making on how we approach the management of our people.

Despite the current economic challenges, the Group has continued to bring in and invest, where necessary, in new skills across the Group. Our approach is to prioritise learning and development to strengthen the business further and to ensure its continued success.

Communication

LSL ensures that employees are kept informed of Group affairs via information distributed by post, e-mail, handbooks or the various intranet sites. Group employees are encouraged to discuss strategic, operational and business issues within their teams and with their management. The Group promotes transparency through business reviews and the production of Annual Reports. Communication through employees is encouraged as appropriate.

Equal Opportunities

LSL is committed to a policy of equal opportunity in employment which is seen as a vital part in the success and growth of LSL. Every effort is made to select, recruit, train and promote the best candidates based on suitability for the job, to treat all employees and applicants fairly regardless of race, sex, marital status, nationality, ethnic origin, age, disability, religious belief or sexual orientation, and to ensure that no employee suffers harassment or intimidation. LSL is a signatory to the Law Society's Diversity and Inclusion Charter. It is an instantly recognisable public statement of commitment by its signatories and a framework for positive action across all strands of diversity.

LSL's policy is to provide employment and to make reasonable adjustment to accommodate disabled persons wherever the requirements of the organisation will allow and if applications for employment are received from suitable individuals. If existing employees become disabled every reasonable effort will be made to ensure that their employment with LSL can continue on a worthwhile basis with career opportunities available to them.

Employee Key Performance Indicators

The Group uses a number of key performance indicators to measure its progress during the year.

Breakdown by age group	2009	2008	2007
Aged 16-25	537	360	647
Aged 26-45	1633	1497	1973
Aged 46+	1115	949	1141
Total Employees at (31/12/09)	**3285**	**2866**	**3761**
Employee turnover percentage (%)	**21.1**	**41.3**	**39.7**

2. Health, Safety & Welfare

LSL places great importance on the health, safety and welfare of its employees. Policies, group standards and procedures are in place, which aim to identify and remove any hazardous areas, reduce material risks of fire and accidents or injuries to employees and visitors and, in conjunction with its HR policies, manage workplace stress levels.

To this end, LSL makes every effort to provide safe and healthy working conditions in all offices and branches. Similarly, it is the duty of all employees to exercise responsibility and to do everything to prevent injury to themselves and to others.

3. Environmental issues

LSL takes its responsibility for social, ethical and environmental issues very seriously and recognises the importance of developing and maintaining high standards.

LSL commits itself to all available processes and practices that have the least impact on the environment and seeks to use all of its resources carefully. Employees are encouraged to conserve all types of energy and to recycle or minimise waste products wherever possible.

Group companies continue to assess and manage the environmental impact of their operations by taking part in various recycling and energy efficient practices so that it can be an active participant in the sustainable society. Work in the year includes the development of a new programme within e.surv in corporation with The Carbon Trust to help create a sustainable future by reducing the businesses impact on the environment in three main areas:

1) Our energy consumption
2) The waste we produce
3) The carbon emissions that we generate

Across the Group a number of paper and plastic recycling schemes are in place at the main operating centres. Much of the Group's communication is now in electronic rather than paper form and we promote the reading by employees on screen rather than printing of emails. These initiatives are part of our ongoing aim to continuously reduce our carbon footprint and further initiatives are planned in 2010 as a result of the monitoring of these three areas that has been going on since August last year.

4. Social and Community interests (including Social and Ethical Issues)

While LSL is accountable to shareholders, it takes into account the interest of all stakeholders including employees, customers and suppliers as well as the local community and the environment in which its divisions operate. LSL's Ethics Policy confirms our commitment to a culture of openness, trust and integrity and its aim is to ensure that:

4.1 For its Employees

Each Group Company will provide standard terms and conditions of employment, and a fair and transparent remuneration policy. It aims to provide healthy and safe working conditions for all business areas.

It strives for equal opportunities for all present and potential employees and encourages employees to develop skills and progress in their careers.

It will not tolerate any sexual, physical or mental harassment of employees and will not discriminate on the grounds of colour, ethnic origin, gender, age, religion, disability, and sexual orientation, political or other opinion.

4.2 For its Customers

Each Group Company seeks to be honest and fair in its relationships with its customers providing the standards of product and service that have been agreed. It takes all reasonable steps to ensure the safety and quality of products or services that it produces.

4.3 For its Suppliers

Each Group Company seeks to be honest and fair in its relationships with suppliers and subcontractors and will pay its suppliers and subcontractors in accordance with agreed terms.

It has a policy not to offer, pay or accept bribes or substantial favours and encourages suppliers and subcontractors to abide by the principles of this policy.

The Group wide Whistleblowers Policy enables employees and other individuals to report, in confidence, any suspected inappropriate behaviour by the Company or employees. There have been no breaches of the Ethics Policy or Whistleblower Policy during the last year.

5. Social Community and environment

Each Group Company aims to be sensitive to the local community's cultural, social and economic needs and endeavours to protect and preserve the environment where it operates. From time to time where practicable, make donations and support local and national charities.

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

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Company law requires the Directors to prepare financial statements for each financial year, under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRSs) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and accounting estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, enabling them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LSL's financial statements are published on LSL's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of LSL's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent Auditor's Report to the Members of LSL Property Services plc

We have audited the group financial statements of LSL Property Services plc for the year ended 31 December 2009 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Cash Flows, the Group Reconciliation of Changes in Equity and the related notes I to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the group financial statements; and
- the information given in the Corporate Governance Statement with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of LSL Property Services plc for the year ended 31 December 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

Stuart Watson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Leeds
3 March 2010

Group income statement
for the year ended 31 December 2009

	Note	2009 £'000	2008 *restated** £'000
Revenue	3	**157,703**	161,773
Operating expenses:			
Employee and subcontractor costs	12	**80,100**	88,912
Establishment costs		**10,991**	12,485
Depreciation on property, plant and equipment	15	**1,407**	2,299
Other		**37,374**	40,638
		(129,872)	(144,334)
Rental income		**488**	765
Group operating profit before exceptional costs, amortisation and share-based payments		**28,319**	18,204
Share-based payments	12	**(532)**	(1,551)
Amortisation of intangible assets	14	**(8,635)**	(10,111)
Exceptional costs	7	**(400)**	(7,735)
Group operating profit/(loss)	4	**18,752**	(1,193)
Dividend income		**24**	334
Finance income	5	**54**	190
Finance costs	6	**(2,221)**	(4,035)
Exceptional finance costs	7	**–**	(432)
Net financial costs		**(2,143)**	(3,943)
Profit/(loss) before tax before adjustment to goodwill		**16,609**	(5,136)
Adjustment to goodwill in respect of subsequent recognition of deferred tax asset	14	**–**	(1,048)
Profit/(loss) before tax	8	**16,609**	(6,184)
Taxation	13		
– related to exceptional costs		**112**	2,022
– others		**(4,974)**	(600)
		(4,862)	1,422
Profit/(loss) for the year		**11,747**	(4,762)
Earnings/(loss) per share expressed in pence per share:			
Basic	10	**11.4**	(4.6)
Diluted	10	**11.4**	(4.6)

* Restatement of 2008 figures is due to the adoption of IFRS 2 (Amendment) which increased the share-based payment charge and the loss for the year by £1,413,000. See note 2 for details.

Group statement of comprehensive income

for the year ended 31 December 2009

	Note	2009 £'000	2008 *restated** £'000
Profit/(loss) for the year		**11,747**	(4,762)
Valuation losses on available-for-sale investment	16	**–**	(1,600)
Net loss on cash flow hedge	20	**(87)**	–
Income tax effect	13	**24**	–
		(63)	–
Other comprehensive loss for the year, net of tax		**(63)**	(1,600)
Total comprehensive income/(loss) for the year, net of tax^		**11,684**	(6,362)

^ all attributable to equity shareholders of the parent.

* the details of the restatement of the 2008 figures are given in note 2.

Group balance sheet
As 31 December 2009

	Note	2009 £'000	2008 *restated** £'000
Non-current assets			
Goodwill	14	**66,472**	66,422
Other intangible assets	14	**22,895**	31,413
Property, plant and equipment	15	**2,077**	2,841
Financial assets	16	**4,052**	4,052
Deferred tax asset	13	**621**	–
Total non-current assets		**96,117**	104,728
Current assets			
Trade and other receivables	17	**20,052**	13,924
Current tax assets		**–**	255
Cash and cash equivalents	18	**858**	647
Total current assets		**20,910**	14,826
Total assets		**117,027**	119,554
Current liabilities			
Financial liabilities	20	**993**	1,273
Trade and other payables	19	**33,209**	27,564
Current tax liabilities		**2,183**	–
Provisions for liabilities and charges	21	**748**	1,195
Total current liabilities		**37,133**	30,032
Non-current liabilities			
Financial liabilities	20	**25,573**	48,611
Trade and other payables	19	**27**	39
Deferred tax liability	13	**–**	557
Provisions for liabilities and charges	21	**8,437**	6,586
Total non-current liabilities		**34,037**	55,793
Net assets		**45,857**	33,729
Equity			
Share capital	23	**208**	208
Share premium account	24	**5,629**	5,629
Share-based payment reserve	24	**2,259**	1,944
Treasury shares	24	**(2,805)**	(2,934)
Unrealised gain reserve	24	**3,900**	3,900
Hedging loss	24	**(63)**	–
Retained earnings		**36,729**	24,982
Total equity		**45,857**	33,729

* Restatement of 2008 figures is due to the adoption of IFRS 2 (Amendment) which reduced the retained earnings by £1,413,000. See note 2 for details.

The financial statements were approved by the Board on 3 March 2010 and were signed on its behalf by:

D A Fielding *Director*   **S D Embley** *Director*

Group cash flow statement

for the year ended 31 December 2009

	Note	31 Dec 2009 £'000	31 Dec 2009 £'000	31 Dec 2008 restated * £'000	31 Dec 2008 restated * £'000
Cash generated from operating activities					
Profit/(loss) before tax			**16,609**		(6,184)
Adjustments to reconcile profit/(loss) before tax to net cash inflows from operating activities					
Amortisation of intangible assets		**8,635**		10,111	
Dividend income		**(24)**		(334)	
Finance income		**(54)**		(190)	
Finance costs		**2,221**		4,035	
Share-based payments		**574**		1,551	
Adjustment in relation to deferred tax asset		**–**		1,048	
			11,352		16,221
Group operating profit before amortisation and share-based payments			**27,961**		10,037
Depreciation	15	**1,407**		2,299	
Impairment of goodwill	7	**126**		1,036	
Impairment of intangible assets	7	**–**		38	
Gain on sale of property, plant and equipment		**6**		419	
		1,539		3,792	
(Increase)/decrease in trade and other receivables		**(6,128)**		7,663	
Increase/(decrease) in trade and other payables and provisions		**7,233**		(9,152)	
			2,644		2,303
Cash generated from operations			**30,605**		12,340
Interest paid		**(2,397)**		(3,993)	
Tax paid		**(3,578)**		(5,126)	
			(5,975)		(9,119)
Net cash generated from operating activities			**24,630**		3,221
Cash flows from investing activities					
Purchase of subsidiary undertakings, minority interest and commercial business	26	**(150)**		(276)	
Interest received		**54**		190	
Dividends received		**24**		334	
Purchase of property, plant and equipment	15	**(662)**		(1,043)	
Proceeds from sale of property, plant and equipment		**13**		84	
Purchase of available for sale financial assets		**–**		(2)	
Net cash expended on investing activities			**(721)**		(713)
			23,909		2,508

Group cash flow statement (continued)

for the year ended 31 December 2009

	Note	31 Dec 2009 £'000	£'000	31 Dec 2008 *restated* * £'000	£'000
Net cash from operating activities less cash expended on investing activities			**23,909**		2,508
Cash flows from financing activities					
Repayment of loans		**(23,698)**		–	
Proceeds from loans		**–**		44	
Purchase of treasury shares		**–**		(265)	
Dividends paid		**–**		(3,966)	
Net cash used in financing activities			**(23,698)**		(4,187)
Net increase/(decrease) in cash and cash equivalents			**211**		(1,679)
Cash and cash equivalents at the beginning of the year			**647**		2,326
Cash and cash equivalents at the end of the year	18		**858**		647

* the details of the restatement of the 2008 figures are given in note 2.

Group statement of changes in equity

for the year ended 31 December 2009

For the year ended 31 December 2009

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Treasury shares £'000	Unrealised gains reserve £'000	Hedging loss £'000	Retained earnings £'000	Total equity £'000	Minority interest £'000	Total £'000
At 1 January 2009	**208**	**5,629**	**531**	**(2,934)**	**3,900**	**–**	**26,395**	**33,729**	**–**	**33,729**
Change in accounting policy (note 2)	–	–	1,413	–	–	–	(1,413)	–	–	–
Restated balance	208	5,629	1,944	(2,934)	3,900	–	24,982	33,729	–	33,729
Profit for the year	–	–	–	–	–	–	11,747	11,747	–	11,747
Other comprehensive loss	–	–	–	–	–	(63)	–	(63)	–	(63)
Total comprehensive income	**208**	**5,629**	**1,944**	**(2,934)**	**3,900**	**(63)**	**36,729**	**45,413**	**–**	**45,413**
Reissuance of treasury shares	–	–	(109)	129	–	–	–	20	–	20
Share-based payments	–	–	424	–	–	–	–	424	–	424
At 31 December 2009	**208**	**5,629**	**2,259**	**(2,805)**	**3,900**	**(63)**	**36,729**	**45,857**	**–**	**45,857**

Group statement of changes in equity (continued)

for the year ended 31 December 2009

For the year ended 31 December 2008 (restated)

	Share capital £'000	Share premium account £'000	Share based payment reserve £'000	Treasury shares £'000	Unrealised gains reserve £'000	Retained earnings £'000	Total equity £'000	Minority interest £'000	Total £'000
At 1 January 2008	**208**	**5,629**	**560**	**(2,669)**	**5,500**	**33,710**	**42,938**	**–**	**42,938**
Loss for the period (restated*)	–	–	–	–	–	(4,762)	(4,762)	–	(4,762)
Other comprehensive loss	–	–	–	–	(1,600)	–	(1,600)	–	(1,600)
Total comprehensive income	**208**	**5,629**	**560**	**(2,669)**	**3,900**	**28,948**	**36,576**	**–**	**36,576**
Purchase of treasury shares	–	–	–	(265)	–	–	(265)	–	(265)
Dividends paid	–	–	–	–	–	(3,966)	(3,966)	–	(3,966)
Share-based payments (restated*)	–	–	1,384	–	–	–	1,384	–	1,384
At 31 December 2008 (restated*)	**208**	**5,629**	**1,944**	**(2,934)**	**3,900**	**24,982**	**33,729**	**–**	**33,729**

* the details of the restatement of the 2008 figures is given in note 2.

Notes to the group financial statements
for the year ended 31 December 2009

1. Authorisation of financial statements and statement of compliance with IFRSs

The Group financial statements of LSL Property Services plc and its subsidiaries for the year ended 31 December 2009 were authorised for issue by the board of the directors on 3 March 2010 and the balance sheet was signed on the board's behalf by S D Embley and D A Fielding. LSL Property Services plc is a listed company incorporated and domiciled in England & Wales and the Group operates a network of estate agencies, surveying businesses and other related businesses.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

2. Accounting policies

Basis of preparation of financial information

The consolidated financial statements have been prepared on a historical cost basis, except for, derivative financial instruments and available-for-sale investments that have been measured at fair value.

The accounting policies which follow set out those significant policies which apply in preparing the financial statements for the year ended 31 December 2009. The Group's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new Standards and Interpretations as of 1 January 2009 which are applicable to the Group, as noted below:

IFRS 2 Share-based Payment – Vesting Conditions and Cancellations

The amendment to IFRS 2 restricts the definition of vesting conditions to include only service conditions (requiring a specified period of service to be completed) and performance conditions (requiring the other party to achieve a personal goal or contribute to achieving a corporate target). All other features are not vesting conditions and, whereas a failure to achieve such a condition was previously regarded as a forfeiture (giving rise to a reversal of amounts previously charged to profit), it must be reflected in the grant date fair value of the award and treated as a cancellation, which results in either an acceleration of the expected charge, or a continuation over the remaining vesting period, depending on whether the condition is under the control of the entity or counterparty.

The group treated the employees' withdrawal from the SAYE schemes as cancellation, which resulted in acceleration of the charge because the withdrawal is under the control of the employees. The adoption of this amendment had the effect of increasing the loss by £1,413,000 for the year ended 31 December 2008, with the corresponding impact on equity. There is no impact on the financial statements as of 1 January 2008.

IFRS 8 Operating Segments

This Standard requires disclosure of information about the Group's operating segments based on information presented to the Board and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of the Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were slightly different to the business segments previously identified under IAS 14 Segment Reporting. The financial services business is considered by the Group to be part of the estate agency business and as such has now been included within the "Estate agency and related activities" segment. Additional disclosures about each of these segments are shown in Note 4, including revised comparative information.

IAS 1 Revised Presentation of Financial Statements

The Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Improvements to IFRSs

In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- *IAS 1 Presentation of Financial Statements:* Assets and liabilities classified as held for trading in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.

- *IAS 16 Property, Plant and Equipment:* Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

2. Accounting policies (continued)

Changes in accounting policy and disclosures (continued)

Improvements to IFRSs (continued)

- *IAS 38 Intangible Assets: Expenditure on advertising and promotional activities* is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

  The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group:

- *IFRS 5* *Non-current Assets Held for Sale and Discontinued Operations*
- *IFRS 7* *Financial Instruments: Disclosures*
- *IAS 8* *Accounting Policies, Change in Accounting Estimates and Error*
- *IAS 10* *Events after the Reporting Period*
- *IAS 16* *Property, Plant and Equipment*
- *IAS 18* *Revenue*
- *IAS 19* *Employee Benefits*
- *IAS 20* *Accounting for Government Grants and Disclosures of Government Assistance*
- *IAS 23* *Borrowing Costs*
- *IAS 27* *Consolidated and Separate Financial Statements*
- *IAS 28* *Investment in Associates*
- *IAS 31* *Interest in Joint ventures*
- *IAS 34* *Interim Financial Reporting*
- *IAS 36* *Impairment of Assets*
- *IAS 39* *Financial Instruments: Recognition and Measurement*

Judgements and estimates

The preparation of financial information in conformity with IFRS as adopted by European Union requires management to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of intangible assets

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The Group determines whether indefinite life intangible assets (including goodwill) are impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate (see note 14).

Fair value of unquoted equity instruments

Certain unquoted equity instruments have been valued based on the expected dividend cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future dividend cash flows and discount rates, and hence they are subject to uncertainty. The fair value of such unquoted equity instruments at 31 December 2009 is given in note 16.

Other areas

Other areas of significant judgement include contingent consideration, provisioning for professional indemnity claims and onerous leases. Details of key assumptions in these areas are disclosed in Notes 20 and 21 to these Financial Statements.

2. Accounting policies (continued)

Basis of consolidation

The Group financial statements incorporate the financial statements of LSL Property Services plc and the entities controlled by the Group (its subsidiaries) for the year ended 31 December 2009 and 31 December 2008. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

The acquisition of minority interest is not a business combination and there is no specific accounting prescribed in IFRS for such a transaction. The Group has elected to adopt the 'Parent entity extension method' and the entire difference between the cost of acquisition and the minority interest acquired is reflected as goodwill.

The cost of business combination includes amounts contingent on future events if the payment is considered probable and can be measured reliably. These amounts are discounted at a rate appropriate to the liability. Any subsequent adjustments in respect of such contingent consideration (other than due to unwinding of the discount) are adjusted against the carrying amount of goodwill.

The results of the subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the date control commences until the date that control ceases.

The purchase method of accounting is used for all acquisitions of subsidiaries. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Intangible assets

Business combinations on or after 1 July 2004 are accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement. Goodwill recognised as an asset as at 1 July 2004 is recorded at its carrying amount under UK GAAP and is not amortised.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. A previously recognised impairment loss with respect to goodwill is not reversed in later years.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite as follows:

Customer contracts:	
Estate agency customer contracts	– ten years
Surveying customer contracts	– between three and five years
General insurance renewal	
Commission contracts	– between six and seven and a half years
Lettings contracts	– fifteen months
Order book:	
Estate agency pipeline	– six months
Surveying pipeline	– one week
Estate agency register	– twelve months
Others:	
Franchise agreements	– ten years
In-house software	– three years

2. Accounting policies (continued)

Other intangible assets (continued)

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Brand names are not amortised as the directors are of the opinion that they have an indefinite useful life. This is based on the expectation of the directors that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the businesses and the directors are confident that trademark registration renewals will be filed at the appropriate time and sufficient investment will be made in terms of marketing and communication to maintain the value inherent in the brand.

The carrying value of intangible assets with indefinite useful life is reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided to write off cost less the estimated residual value of property, plant and equipment by equal annual instalments over their estimated useful economic lives as follows:

Office equipment, fixtures and fittings	– over three to seven years
Computer equipment	– over three to four years
Motor vehicles	– over three to four years
Leasehold improvements	– over the shorter of the lease term or ten years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

These assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Dividends

Equity dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors and paid. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

Income taxes

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

2. Accounting policies (continued)

Income taxes (continued)

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

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

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

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

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the group to make a single net payment.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Share–based payment transactions

Equity-settled transactions

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details given in note 10).

Cash-settled transactions

The Group has issued shares in a subsidiary company to the management of that company with restrictions on transferability. The Group has a call option on these shares and these shares are considered as a cash-settled share scheme. The liability under the call option is measured at its fair value. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount of the liability are recognised in profit or loss for the year.

Treasury shares

The Group has an employee share trust (ESOT) and an employee benefit trust (EBT) for the granting of group shares to executives and senior employees. Shares in the Group held by the trusts are treated as treasury shares and presented in the balance sheet as a deduction from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. The finance costs and administration costs relating to the trusts are charged to the income statement. Dividends earned on shares held in the trusts have been waived. The shares are ignored for the purposes of calculating the Group's earnings per share.

2. Accounting policies (continued)

Leases

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Group as a lessor

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) There is a change in the determination of whether fulfilment is dependant on a specified asset; or

(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

Pensions

The Group operates a defined contribution pension scheme for employees in certain Group companies, although contributions to this scheme by the Group were suspended during the year. The assets of the scheme are invested and managed independently of the finances of the Group. The pension cost charge represents contributions payable in the year.

Provisions

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

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Financial assets are de-recognised when the Group no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised 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 Group commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification.

The Group's accounting policy for each category of financial instruments is as follows:

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified as held to maturity, loan and receivables or fair value through profit or loss. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. Where a reliable indicator of fair value cannot be obtained the assets are valued at cost.

Cash and short term deposits

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity period of three months or less.

For the purposes of the consolidated cash flow statement, cash and short term deposits consist of cash and short term deposits net of outstanding bank overdrafts.

2. Accounting policies (continued)

Financial instruments (continued)

Trade receivables

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

Trade receivables generally have four to seven day payment terms in the estate agency business and thirty days in the surveying business. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

In July 2008, the Group entered into a third party finance arrangement for the payment of Home Information Packs ('HIPs'). Any trade receivables arising from HIPs were paid upfront by the third party finance company with no recourse. Fees charged by the third party finance company have been included as part of the finance costs within the Income Statement.

Trade payables

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

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs.

Finance costs comprise interest payable on borrowings calculated at the effective interest rate method and recognised on an accruals basis.

Borrowing costs are recognised as an expense when incurred.

Derivative financial instruments

The Group uses derivative financial instruments such as interest rate caps and interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement, except for the effective portion of any cash flow hedges, which are recognised in other comprehensive income.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Impairment of financial assets

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its fair value is transferred from equity to the income statement. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Assets carried at amortised cost

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Hedge accounting

During the year the Group entered into interest rate swap agreements and the group applied hedge accounting (using cash flow hedge) on these hedging instruments.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

2. Accounting policies (continued)

Hedge accounting (continued)

For the purpose of hedge accounting, hedge is classified as cash flow hedge when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred to the profit and loss account when the hedged transaction affects profit or loss.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the profit and loss account. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from the exchange fees in the estate agency business is recognised by reference to the legal exchange date of the housing transaction. Revenue from the supply of surveying services is recognised upon the completion of the professional survey by the surveyor.

Home Information Packs

Revenue from providing Home Information Packs (HIPs) is recognised when they are completed and provided to the customers.

Financial services income

Revenue from mortgage procuration fees is recognised by reference to the completion date of the mortgage on the housing transaction. Revenue from policy sales is recognised by reference to the date that the policy is accepted by the insurer.

Interest income

Revenue is recognised as interest accrues (using the effective interest method – that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Rental income

Rental income including the effect of lease incentives from sub-let properties is recognised on a straight line basis over the lease term.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

2. Accounting policies (continued)

New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations which are not effective at the balance sheet date or have an effective date after the date of these financial statements:

International Accounting Standards (IAS / IFRSs)		Effective date*
IFRS 2	Amendment to IFRS 2 – Group Cash-Settled Share-Based Payment Transaction	1 January 2010
IFRS 3	Business Combinations (Revised January 2008)	1 July 2009
IFRS 9	Financial Instruments	1 January 2013
IAS 24	Related Party Disclosures (Revised)	1 January 2011
IAS 27	Consolidated & Separate Financial Statements	1 July 2009
IAS 32	Amendments to IAS 32 Classification of Rights Issue	1 February 2010
IAS 39	Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendment)	1 July 2009
	Annual Improvements to IFRS	1 July 2009

International Financial Reporting Interpretations Committee (IFRIC) *New interpretations*		Effective date*
IFRIC 9	Amendments to IFRIC 9 and IAS 39 Embedded Derivatives	1 July 2009
IFRIC 14	Amendments to IFRIC 14 – Prepayments of a minimum funding requirement	1 January 2011
IFRIC 17	Distribution of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfer of asset from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

* The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations. As the Group has elected to prepare their financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to adopt standards early.

The Group did not early adopt the revised IFRS 3 and so will apply it prospectively to all business combinations on or after 1 January 2010. Whilst it is not possible to estimate the outcome of the adoption, the key features of the revised IFRS 3 included a requirement for acquisition-related costs to be expensed and not included in the purchase price; and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the income statement and not as a change to goodwill). The standard also changes the treatment of non-controlling interest (formerly minority interests) with an option to recognise these at full fair value as at the acquisition date and a requirement for previously held non-controlling interests to be fair valued as at the date control is obtained, with gains and losses recognised in the income statement.

IAS 27 revised is effective for annual periods beginning on or after 1 July 2009, with earlier application only permitted when the revised IFRS 3 is applied. The revised standard applies retrospectively with some exceptions. IAS 27 revised no longer restricts the allocation to minority interest of losses incurred by a subsidiary to the amount of the non-controlling equity investment in the subsidiary. A partial disposal of equity interest in a subsidiary that does not result in a loss of control will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to any gain or loss. Where there is loss of control of a subsidiary, any related interest will have to be remeasured to fair value which will impact the gain or loss recognised on disposal. The Group is currently assessing the impact on its financial statements from adopting IAS 27 revised.

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements, other than additional disclosures, in the period of initial application.

Notes to the group financial statements (continued)

for the year ended 31 December 2009

3. Revenue

Revenue represents the amounts derived from the provision of services which fall within the Group's ordinary activities, stated net of value added tax. The revenue and pre-tax income is attributable to the continuing activity of estate agency and related activities and the provision of surveying and valuation services on residential property. All the revenue arises in the United Kingdom.

Revenue disclosed in the income statement is analysed as follows:

	2009 £'000	2008 £'000
Revenue from services	**157,703**	161,773
Revenue	**157,703**	161,773
Rental income	**488**	765
Dividend income	**24**	334
Finance income	**54**	190
Total revenue	**158,269**	163,062

4. Segment analysis of revenue and operating profit

For management purposes, the group is organised into business units based on their products and services and has two reportable operating segments as follows:

- The estate agency and related activities provides services related to the sale and letting of housing via a network of high street branches. In addition, it provides repossession asset management services to a range of lenders. It also sells mortgages for a number of lenders and sells life assurance and critical illness policies, etc for a number of insurance companies via the estate agency branch and Linear network.
- The surveying and valuation segment provides a professional survey service of domestic properties to various lending corporations.

No operating segments have been aggregated to form the above reported operating segments.

Management 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 consolidated 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.

The geographic segment has not been reported separately as all the revenue and expense arises in the United Kingdom and all assets are situated in the United Kingdom.

4. Segment analysis of revenue and operating profit (continued)

Operating segments

The following table presents revenue and profit/(loss) information regarding the group's operating segments for the financial year ended 31 December 2009 and financial year ended 31 December 2008 respectively.

Year ended 31 December 2009

	Estate agency and related activities £'000	Surveying and valuation services £'000	Unallocated £'000	Total £'000
Income statement information				
Segmental revenue	87,655	70,048	–	**157,703**
Segmental result:				
– before exceptional costs, amortisation and share-based payments	6,705	23,554	(1,940)	**28,319**
– after exceptional costs, amortisation and share-based payments	4,910	15,782	(1,940)	**18,752**
Dividend income				**24**
Finance income				**54**
Finance costs				**(2,221)**
Profit before tax				**16,609**
Taxation				**(4,862)**
Profit for the year				**11,747**

In 2008, the revenue from one customer that accounts to 10% or more of the Group's total revenue amounted to £20,017,000. The revenue from this customer was included within both the above mentioned segments. In 2009, there is no revenue from one customer that accounts to 10% or more of the Group's total revenue.

4. Segment analysis of revenue and operating profit (continued)

Year ended 31 December 2009

	Estate agency and related activities £'000	Surveying and valuation services £'000	Unallocated £'000	Total £'000
Balance sheet information				
Segment assets	76,246	33,698	7,083	**117,027**
Segment liabilities	(25,466)	(17,410)	(28,294)	**(71,170)**
Net assets/(liabilities)	50,780	16,288	(21,211)	**45,857**
Other segment items				
Capital expenditure	555	107	–	**662**
Depreciation	(1,093)	(314)	–	**(1,407)**
Amortisation of intangible assets	(1,225)	(7,410)	–	**(8,635)**
Professional indemnity claim provision	–	(3,567)	–	**(3,567)**
Onerous leases provision	(685)	(7)	–	**(692)**
Share based payment	(172)	(402)	–	**(574)**
Impairment of trade receivables	(304)	15	–	**(289)**
Impairment of goodwill	(126)	–	–	**(126)**

Unallocated net liabilities comprise certain property, plant and equipment (£56,000), financial assets (£3,900,000), deferred tax assets (£621,000), trade and other receivables (£1,648,000), cash and bank balances (£858,000), financial liabilities (£25,171,000), trade and other payables (£940,000) and taxation (£2,183,000).

4. Segment analysis of revenue and operating profit (continued)

Year ended 31 December 2008 (restated)

	Estate agency and related activities *restated** £'000	Surveying and valuation services *restated** £'000	Unallocated *restated** £'000	Total *restated** £'000
Income statement information				
Segmental revenue	81,700	80,073	–	**161,773**
Segmental result:				
– before exceptional costs, amortisation and share-based payments	(8,435)	28,590	(1,951)	**18,204**
– after exceptional costs, amortisation and share-based payments	(15,834)	16,621	(1,980)	**(1,193)**
Dividend income				**334**
Finance income				**190**
Finance costs				**(4,035)**
Exceptional finance costs				**(432)**
Loss before tax before adjustment to goodwill				**(5,136)**
Adjustment to goodwill in respect of subsequent recognition of deferred tax asset				**(1,048)**
Loss before tax				**(6,184)**
Taxation				**1,422**
Loss for the year				**(4,762)**

this relates to the estate agency and related activities segment.

* the details of the restatement of the 2008 figures are given in note 2.

4. Segment analysis of revenue and operating profit (continued)

Year ended 31 December 2008 (restated)

	Estate agency and related activities *restated** £'000	Surveying and valuation services *restated** £'000	Unallocated *restated** £'000	Total *restated** £'000
Balance sheet information				
Segment assets	75,284	39,273	4,997	**119,554**
Segment liabilities	(20,217)	(16,060)	(49,548)	**(85,825)**
Net assets/(liabilities)	55,067	23,213	(44,551)	**33,729**
Other segment items				
Capital expenditure	818	225	–	**1,043**
Depreciation	(1,745)	(554)	–	**(2,299)**
Amortisation of intangible assets	(1,415)	(8,696)	–	**(10,111)**
Professional indemnity claim provision	–	(2,158)	–	**(2,158)**
Onerous leases provision	(1,793)	(25)	–	**(1,818)**
Share based payment	(898)	(653)	–	**(1,551)**
Impairment of trade receivables	(976)	187	–	**(789)**
Impairment of goodwill	(1,036)	–	–	**(1,036)**
Impairment of intangible assets	(38)	–	–	**(38)**

Unallocated net liabilities comprise certain property, plant and equipment (£24,000), financial assets (£3,900,000), trade and other receivables (£171,000), current tax assets (£255,000), cash and bank balances (£647,000), financial liabilities (£47,772,000), trade and other payables (£1,219,000) and deferred tax liability (£557,000).

5. Finance income

	2009 £'000	2008 £'000
Interest receivable on funds invested	**53**	104
Other interest income	**1**	86
	54	190

6. Finance costs

	2009 £'000	2008 £'000
Bank interest:		
Other loans	**1,636**	3,775
Unwinding of discount on contingent consideration	**38**	42
HIPS financing fees	**547**	218
	2,221	4,035

7. Exceptional costs

	2009 £'000	2008 £'000
Establishment costs		
Onerous leases provision due to branch closures	–	1,709
Employee costs		
Redundancy costs due to branch closures and business reorganisation	232	2,410
Accelerated share-based payments	42	–
Other		
Impairment of brand	–	38
Impairment of goodwill	126	1,036
Costs of aborted acquisition of business and financing project	–	242
Accelerated depreciation due to branch closures	–	269
Provision for professional indemnity claims	–	2,031
Total Operating Exceptional Costs	400	7,735
Finance Costs		
Banking fees incurred for renegotiation of facility	–	432
	400	8,167

During the year, property-careers.com Limited ceased trading and an impairment review was conducted in accordance with the accounting policy. As a result of this impairment review, the entire value of goodwill in intangible assets of £126,000 was impaired. In addition, some employee costs were incurred due to the cessation of trading of this operation.

In 2008, exceptional costs were incurred as shown above, reflecting the unprecedented market conditions and the need to restructure the business in line with lower activity levels.

In 2008, given the deterioration in the UK housing market, the business considered that it was appropriate to make a one off increase in its professional indemnity claims provision of £2,031,000 to take account of the increase in numbers of recovery claims made and likely to be made for inaccurate valuations.

In 2008, Linear Financial Services Limited and Linear Mortgage Network Limited continued to incur operating losses and an impairment review was conducted in accordance with the accounting policy. As a result of this impairment review the entire value of brand in intangible assets of £38,000 and carrying value of goodwill relating to both companies of £1,036,000 were impaired.

8. Profit/(loss) before tax

Profit/(loss) before tax is stated after charging/(crediting):

	2009 £'000	2008 £'000
Auditors' remuneration (note 9)	187	216
Operating lease rentals:		
Land and buildings	5,657	8,442
Plant and machinery	2,533	2,394
Gain on sale of property, plant and equipment	(6)	(419)

Notes to the group financial statements (continued)

for the year ended 31 December 2009

9. Auditors' remuneration

The remuneration of the auditors is further analysed as follows:

	2009 £'000	2008 £'000
Audit of the financial statements †	**49**	49
Other fees to auditors:		
– local statutory audits for subsidiaries	**136**	104
– other services supplied pursuant to legislation	**–**	4
– other services ^	**2**	59
	187	216

† £35,000 (2008: £35,000) of this relates to the Company and £nil (2008: £1,000) relates to an over accrual of prior year audit fees.

^ Other fees to auditors above do not include fees payable for other services of £271,000, in relation to the acquisition of Halifax Estate Agencies Limited, which completed on 15 January 2010.

10. Earnings/(loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2009 Profit after tax £'000	2009 Weighted average number of shares	2009 Per share amount Pence	2008 Loss after tax *restated** £'000	2008 Weighted average number of shares	2008 Per share amount *restated** Pence
Basic EPS	**11,747**	**102,818,875**	**11.4**	(4,762)	102,845,156	(4.6)
Effect of dilutive share options	**–**	**360,830**	**–**	-	195,615	–
Diluted EPS	**11,747**	**103,179,705**	**11.4**	(4,762)	103,040,771	(4.6)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

10. Earnings/(loss) per share (continued)

The Directors consider that the adjusted earnings shown below give a better and more consistent indication of the Group's underlying performance:

	2009 £'000	2008 *restated** £'000
Profit/(loss) after tax	**11,747**	(4,762)
Adjusted after tax for:		
Exceptional costs	**288**	6,145
Amortisation of intangible assets	**6,217**	7,229
Share-based payment	**383**	1,109
Adjusted profit after tax	**18,635**	9,721

Adjusted basic and diluted EPS

	2009			2008		
	Adjusted profit after tax[1] £'000	**Weighted average number of shares**	**Per share amount *Pence***	Adjusted profit after tax[1] *restated** £'000	Weighted average number of shares	Per share amount *restated** *Pence*
Adjusted Basic EPS	**18,635**	**102,818,875**	**18.1**	9,721	102,845,156	9.5
Effect of dilutive share options	**–**	**360,830**	**–**	–	195,615	–
Adjusted Diluted EPS	**18,635**	**103,179,705**	**18.1**	9,721	103,040,771	9.4

1 This represents adjusted profit after tax attributable to equity holders of the parent.

* the details of the restatement of the 2008 figures are given in note 2.

11. Dividends paid and proposed

	2009 £'000	2008 £'000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2007: 3.86 pence	**–**	3,966
Dividends on ordinary shares proposed (not recognised as a liability as at 31 December):		
Equity dividends on ordinary shares:		
Dividend: 5.40 pence per share (2008: nil pence)	**5,555**	–

12. Directors and employees

Remuneration of directors

	2009 £'000	2008 £'000
Directors' emoluments (Short-term benefits) *	**1,085**	691
Contributions to money purchase pensions schemes (Post employment benefits)	**11**	24
Share-based payments	**(1)**	–
	1,095	715

* included within this amount is the accrued bonuses of £443,000 (2008: nil).

Expenses of £3,271 (2008: £2,415) were also paid by the Group during the year. The number of directors who were members of Group money purchase pension schemes during the year totalled 3 (2008: 3).

The remuneration of the highest paid director amounted to £371,504 (2008: £190,864) excluding pension costs. Group contributions to money purchase pension schemes for that director amounted to £2,250 (2008: £9,000) in the year.

Directors' contributions to pension schemes were matched by the Group up to a maximum of 10% of pensionable earnings until the end of July 2007. From August 2007 the Group's contributions reverted to 5% of pensionable salaries where members contribute, and the cost of the death-in-service benefits. However, the Group suspended contributions to the pension schemes in 2009.

None of the directors has any share options in the Company apart from two directors who participate in the SAYE scheme, in which the option is not exercisable at the end of the year.

Employee numbers and costs

The Group employs staff in its branches and head offices. Aggregate payroll costs of these employees were:

	2009 £'000	2008 *restated** £'000
Wages and salaries	**68,654**	73,993
Social security costs	**6,832**	7,881
Pension costs	**1,232**	2,054
Total employee costs	**76,718**	83,928
Subcontractor costs	**3,382**	4,984
Total employee and subcontractor costs^	**80,100**	88,912
Share-based payment expense (see below) ≠	**532**	1,551

* the details of the restatement of the 2008 figures are given in note 2.

^ the total employee and subcontractor costs exclude employees redundancy costs of £232,000 (2008: £2,410,000), which have been shown under Exceptional costs (Note 7).

≠ the share-based payment expense excludes the charge of £42,000 which have been shown under Exceptional costs (Note 7).

12. Directors and employees (continued)

Employee numbers and costs (continued)

The monthly staff numbers (including directors) during the year averaged 2,534 (2008: 3,061).

	2009	2008
Estate agency and related activities	**1,766**	2,104
Surveying and valuation services	**768**	957
	2,534	3,061

Share-based payments

Long Term Incentive Plan

The Group operates a Long Term Incentive Scheme (an equity-settled share-based remuneration scheme) for certain employees. Under the Long Term Incentive Scheme, the options vest if the individual remains an employee of the Group after a three year period, unless the individual has left under certain 'good leaver' terms in which case the options may vest earlier and providing the performance conditions are met.

	2009 Weighted average exercise price £	2009 Number	2008 Weighted average exercise price £	2008 Number
Outstanding at 1 January	**–**	**195,615**	–	195,615
Vested during the year	**–**	**(172,514)**	–	–
Outstanding at 31 December	**–**	**23,101**	–	195,615

There were 113,255 options exercisable at the end of the year (2008: none).

The weighted average fair value of options granted during the year was £nil (2008: £nil). The weighted average remaining contractual life is 0.63 years (2008: 1.19 years).

Save-As-You-Earn scheme

In December 2006, the Group announced an employee 'Save-As-You-Earn' scheme effective from January 2007, and in March 2008 the Group announced a new Save-As-You-Earn scheme effective April 2008. Both these schemes are open to all qualifying employees and provide for an exercise price equal to the daily average market price on the date of grant less 20%. The options will vest if the employee remains in service for the full duration of the option scheme (three years). There are no cash settlement alternatives.

2007 Scheme

	2009 Weighted average exercise price £	2009 Number	2008 Weighted average exercise price £	2008 Number
Outstanding at 1 January	**1.74**	**401,421**	–	2,131,034
Lapsed during the year due to employees withdrawal	**1.74**	**(132,621)**	1.74	(1,729,613)
Outstanding at 31 December	**1.74**	**268,800**	1.74	401,421

12. Directors and employees (continued)

Share-based payments (continued)

The weighted average of the fair value of the options was £0.63 and the weighted average remaining contractual life was 0.01 years (2008: 1.01 years).

There were no options exercisable at the end of the year (2008: none).

2008 Scheme

	2009 Weighted average exercise price £	2009 Number	2008 Weighted average exercise price £	2008 Number
Outstanding at 1 January	**1.155**	**1,120,177**	–	–
Granted during the year	**–**	**–**	1.155	1,798,068
Lapsed during the year due to employees withdrawal	**1.155**	**(319,325)**	1.155	(677,891)
Outstanding at 31 December	**1.155**	**800,852**	1.155	1,120,177

The weighted average of the fair value of the options was £0.47 and the weighted average remaining contractual life was 1.23 years (2008: 2.23 years). There were no options exercisable at the end of the year (2008: none).

Equity-settled

	2009 SAYE 2008	2009 SAYE 2007	2009 LTIPs	2008 SAYE 2008	2008 SAYE 2007	2008 LTIPs
Option pricing model used	**Black Scholes**	**Black Scholes**	**Black Scholes**	Black Scholes	Black Scholes	Black Scholes
Weighted average share price at grant date (£)	**1.34**	**2.35**	**2.38**	1.34	2.35	2.38
Exercise price (£)	**1.155**	**1.74**	**nil**	1.155	1.74	nil
Expected life of options (years)	**3 years**	**3 years**	**3 years**	3 years	3 years	3 years
Expected volatility	**42%**	**11%**	**11%**	42%	11%	11%
Expected dividend growth rate	**2.15%**	**3.68%**	**3.68%**	2.15%	3.68%	3.68%
Risk free interest rate	**5.25%**	**5.5%**	**5.5%**	5.25%	5.5%	5.5%

The total cost recognised for equity settled transactions is as follows:

	2009 £'000	2008 *restated** £'000
Share-based payment charged during the year	**382**	1,401

* the details of the restatement of the 2008 figures are given in note 2.

Of this, a credit balance of £1,000 (2008: £2,000 charge) relates to employees of the Company.

The volatility assumption, measured at the standard deviation of expected share price returns, is based on statistical analysis of competitor ratios. The dividend yield assumption is based on the fact that the shares awarded are not eligible to receive dividends until the end of the vesting period.

12. Directors and employees (continued)

Share-based payments (continued)

Cash-settled

In 2007, the Group issued shares in a subsidiary undertaking to certain employees of that subsidiary. The shares transferred are subject to restrictions on transferability if the concerned employees are not in continuous employment in the Group. The Group also has a 'call option' on these shares and the exercise price for the call option is based on future profitability of the subsidiary. The Group has accounted for this share transfer as a cash-settled share-based payment due to the nature of the transaction and recognised a share-based payment charge of £150,000 (2008: £150,000) using a discount factor rate of 7 per cent. None of this cost relates to the Company.

13. Taxation

(a) Tax on profit/(loss)

The major components of income tax charge/(credit) in the group income statements are:

	2009 £'000	2008 £'000
UK corporation tax – current year	**5,615**	755
– tax underprovided/(overprovided) in prior year	**401**	(42)
– utilisation of tax losses	**–**	(800)
	6,016	(87)
Deferred tax:		
Origination and reversal of temporary differences	**(603)**	(1,271)
Adjustment in respect of prior year	**(551)**	(64)
Total deferred tax	**(1,154)**	(1,335)
Total tax charge/(credit) in the income statement	**4,862**	(1,422)

Income tax credited directly to equity is £24,000 (2008: nil) which relates to deferred tax on the net loss on the cash flow hedge.

(b) Factors affecting tax charge/(credit) for the year

The tax assessed in the profit and loss account is higher (2008: higher) than the standard UK corporation tax rate, because of the following factors:

	2009 £'000	2008 *restated* £'000
Profit/(loss) on ordinary activities before tax	**16,609**	(6,184)
Profit/(loss) on ordinary activities multiplied by rate of corporation tax rate in the UK of 28% (2008: 28%)	**4,651**	(1,732)
Non taxable income	**(26)**	(164)
Disallowable expenses	**387**	1,350
Change in current tax rate in period	**–**	17
Other	**–**	13
	5,012	(516)
Utilisation of tax losses on which deferred tax asset was not recognised previously	**–**	(800)
Prior period adjustments – current tax	**401**	(42)
Prior period adjustment – deferred tax	**(551)**	(64)
Total taxation charge/(credit)	**4,862**	(1,422)

13. Taxation (continued)

(c) Factors that may affect future tax charges (unrecognised)

	2009 £'000	2008 £'000
Property, plant and equipment temporary differences	**11**	11
Other temporary differences	**85**	85
Losses	**–**	134
	96	230

The deferred tax assets in respect of property, plant and equipment temporary differences, other temporary differences and losses may be recoverable in the future and this is dependent on one of the subsidiary companies generating taxable profits sufficient to allow the utilisation of these amounts. These deferred tax assets can not be offset against profits elsewhere in the Group as they relate to losses brought forward which can only be offset in the same company. There is no time limit for utilisation of the above tax losses and other temporary differences.

(d) Deferred tax

An analysis of the movements in deferred tax is as follows:

	2009 £'000	2008 £'000
Net deferred tax liability at 1 January	**557**	1,892
Deferred tax credit recognised in equity	**(24)**	–
Deferred tax credit in income statement for the year (note 13a)	**(1,154)**	(1,335)
Net deferred tax (asset)/liability at 31 December	**(621)**	557

Analysed as:

	2009 £'000	2008 £'000
Depreciation in excess of capital allowances	**(1,060)**	(1,127)
Deferred tax liability on separately identifiable intangible assets on business combinations	**2,223**	2,959
Deferred tax on share options	**(371)**	(213)
Other short-term temporary differences	**(527)**	(1,062)
Deferred tax recognised on losses	**(886)**	–
	(621)	557

Deferred tax credit in income statement relates to the following:

	2009 £'000	2008 £'000
Amortisation of intangible assets recognised on business combinations	**736**	1,111
Depreciation in excess of capital allowance	**(67)**	287
Deferred tax on share options	**158**	24
Other temporary differences	**327**	(87)
	1,154	1,335

At 31 December 2009, there was no unrecognised deferred tax liability (2008: nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries.

14. Intangible assets

Goodwill

	2009 £'000	2008 £'000
Cost		
At 1 January	**66,422**	69,572
Acquisition of estate agency branches	**33**	–
Acquisition of minority interest in existing subsidiaries	**–**	276
Adjustment in respect of change in contingent consideration	**143**	(1,342)
Adjustment in respect of subsequent recognition of deferred tax asset	**–**	(1,048)
Impairment of goodwill (note 7)	**(126)**	(1,036)
At 31 December	**66,472**	66,422

In 2008, the adjustment to goodwill of £1,048,000 related to recognition of a deferred tax asset on tax losses which have been realised in 2008. However, a deferred tax asset related to these tax losses was not recognised at the time of accounting for the business combination, in accordance with IFRS 3 *Business Combinations*.

	2009 £'000	2008 £'000
Carrying amount of goodwill by operating unit		
Estate agency companies		
Your-move.co.uk Limited	**38,691**	38,691
Reeds Rains Limited	**15,243**	15,243
LSLi Limited	**3,703**	3,527
property-careers.com Limited	**–**	126
Others	**348**	348
	57,985	57,935
Surveying companies		
e.surv Limited	**6,677**	6,677
Chancellors Associates Limited	**1,810**	1,810
	8,487	8,487
	66,472	66,422

14. Intangible assets (continued)

Goodwill (continued)

Impairment of goodwill and other intangibles with indefinite useful lives

The carrying amount of goodwill by operating unit is given above. The carrying amount of brand by operating unit is as follows:

	2009 £'000	2008 £'000
Estate agency companies		
Your-move.co.uk Limited	**2,510**	2,510
Reeds Rains Limited	**1,241**	1,241
LSLi Limited	**481**	481
	4,232	4,232
Surveying companies		
e.surv Limited	**1,281**	1,281
Chancellors Associates Limited	**153**	153
	1,434	1,434
	5,666	5,666

Goodwill acquired through business combinations and brands has been allocated for impairment testing purposes to statutory companies or groups of statutory companies which are managed as one cash generating unit as follows:

- Estate agency companies
  - Your-move.co.uk Limited
  - Reeds Rains Limited
  - LSLi Limited, which includes
    - Intercounty Estate Agents Limited ^
    - Zenith Properties Limited ^
    - David Frost Estate Agency Limited ^
    - JNP Estate Agents Limited ^
  - property-careers.com Limited
  - Others include Martin Stewart partnership and 4 Thornton Hill estate agency branches

- Surveying companies
  - e.surv Limited
  - Chancellors Associates Limited

^ Management viewed these companies/operating units as part of LSLi Limited for impairment testing purposes.

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Estate agency companies

The recoverable amount of the Estate Agency companies has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the board covering a three-year period. The discount rate applied to cash flow projections is 14% (2008: 14%) and cash flows beyond the 3-year budget are extrapolated using a 0% (2008: 0%) growth rate.

Surveying companies

The recoverable amount of the Surveying companies is also determined on a value in use basis using cash flow projections based on financial budgets approved by the board covering a three-year period. The discount rate applied to the cash flow projections is 12% (2008: 12%). The growth rate used to extrapolate the cash flows of the Surveying companies beyond the three-year period is 0% (2008: 0%).

14. Intangible assets (continued)

Goodwill (continued)

Key assumptions used in value in use calculations

The calculation of value in use for each of the estate agency and surveying companies is most sensitive to the following assumptions:

- gross margin
- discount rates
- market share and market recovery
- growth rate used to extrapolate cash flows beyond the budget period

Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements. A factor of 2% per annum was applied for estate agency companies and 1.5% per annum for the surveying companies. This is based on the opinion of the directors.

Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals. The rates applied in the estate agency and surveying companies budgets are based on the spread between current ROCE and base interest rates, adjusted by the forward interest rates at the end of the budget period.

Market share and market recovery assumptions are important because, as well as using industry data for growth rates (as noted below) management assess how the company's relative position to its competitors might change over the budget period. Management expects the Group's share of the surveying market to increase over the budget period and expect a significant growth in the estate agency companies following the acquisition of Halifax Estate Agencies Limited in January 2010, and because many smaller estate agents have closed down in the current year due to the difficult trading conditions. Further, the carrying value of goodwill in the estate agency companies is dependent on future cash flows arising from a reasonable level of recovery in housing transaction volumes over the next three years.

Growth rate estimates are based on management estimates.

The results of the impairment tests in 2009 confirmed that there had been an impairment of £126,000 in respect of the carrying amount of goodwill held on the balance sheet regarding property-careers.com Limited (included in the 'estate agency' companies).

Sensitivity to changes in assumptions

With regard to the assessment of value in use for each of the above companies, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the company to exceed its recoverable amount. Despite the unprecedented market conditions, the principle Estate Agency companies, Your-move.co.uk Limited and Reeds Rains Limited have been profitable in 2009. Underpinning the carrying amount of goodwill is the assumption that more normal market conditions will resume in the future.

Other intangible assets

As at 31 December 2009

	Brand Names £'000	Customer Contracts £'000	Insurance Renewals £'000	Lettings Contracts £'000	Order Book £'000	Other* £'000	Total £'000
Cost							
At 1 January 2009	5,704	44,774	5,612	2,044	5,206	1,127	64,467
Additions	–	–	–	–	117	–	117
At 31 December 2009	**5,704**	**44,774**	**5,612**	**2,044**	**5,323**	**1,127**	**64,584**
Aggregate amortisation and impairment							
At 1 January 2009	38	21,808	3,065	2,044	5,206	893	33,054
Charge for the year	–	7,587	888	–	117	43	8,635
At 31 December 2009	**38**	**29,395**	**3,953**	**2,044**	**5,323**	**936**	**41,689**
Carrying amount							
At 31 December 2009	**5,666**	**15,379**	**1,659**	**–**	**–**	**191**	**22,895**

14. Intangible assets (continued)

Other intangible assets (continued)

As at 31 December 2008

	Brand Names £'000	Customer Contracts £'000	Insurance Renewals £'000	Lettings Contracts £'000	Order Book £'000	Other* £'000	Total £'000
Cost							
At 1 January 2008 and 31 December 2008	**5,704**	**44,774**	**5,612**	**2,044**	**5,206**	**1,127**	**64,467**
Aggregate amortisation and impairment							
At 1 January 2008	–	12,874	2,177	2,031	5,009	814	22,905
Charge for the year	–	8,934	888	13	197	79	10,111
Impairment	38	–	–	–	–	–	38
At 31 December 2008	**38**	**21,808**	**3,065**	**2,044**	**5,206**	**893**	**33,054**
Carrying amount							
At 31 December 2008	**5,666**	**22,966**	**2,547**	**–**	**–**	**234**	**31,413**

*Other relates to in-house software and franchise agreements.

The brand value relates to the following:

- your-move.co.uk, a network of estate agencies and to e.surv, a surveying company which were acquired by the Group in 2004,
- Reeds Rains, a network of estate agencies which were acquired by the Group in October 2005,
- Chancellors Associates, a surveying business which was acquired by the Group in July 2006,
- ICIEA, a network of estate agencies which were acquired by the Group in February 2007,
- David Frost Estate Agents, a network of estate agencies which were acquired by the Group in July 2007, and
- JNP Estate Agents, a network of estate agencies which were acquired by the Group in September 2007.

The businesses are run as separate reporting units within the Group. There have been no fundamental changes to the manner in which the businesses have been run since their acquisition and therefore the results of the businesses are considered to be derived from the brand names nationally.

All amortisation charges have been treated as an expense in the income statement. Brand names are not amortised as the directors are of the opinion that they have an indefinite useful life. This is based on the expectation of the directors that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the businesses and the directors are confident that trademark registration renewals will be filed at the appropriate time and sufficient investment will be made in terms of marketing and communication to maintain the value inherent in the brand.

15. Property, plant and equipment

As at 31 December 2009

	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost				
At 1 January 2009	3,427	43	13,614	17,084
Additions	60	6	596	662
Disposals	–	–	(1,324)	(1,324)
At 31 December 2009	**3,487**	**49**	**12,886**	**16,422**
Depreciation and impairment				
At 1 January 2009	3,299	16	10,928	14,243
Charge for the year	85	16	1,306	1,407
Disposals	–	–	(1,305)	(1,305)
At 31 December 2009	**3,384**	**32**	**10,929**	**14,345**
Carrying amount				
At 31 December 2009	**103**	**17**	**1,957**	**2,077**

As at 31 December 2008

	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost				
At 1 January 2008	3,700	176	13,527	17,403
Additions	–	–	1,043	1,043
Disposals	(273)	(133)	(956)	(1,362)
At 31 December 2008	**3,427**	**43**	**13,614**	**17,084**
Depreciation and impairment				
At 1 January 2008	3,539	9	9,255	12,803
Charge for the year	50	26	2,223	2,299
Disposals	(290)	(19)	(550)	(859)
At 31 December 2008	**3,299**	**16**	**10,928**	**14,243**
Carrying amount				
At 31 December 2008	**128**	**27**	**2,686**	**2,841**

16. Financial assets

Available-for-sale financial assets

	2009 £'000	2008 £'000
Unquoted shares carried at cost	**497**	497
Impairment	**(345)**	(345)
	152	152
Unquoted shares carried at fair value	**3,900**	3,900
Carrying value	**4,052**	4,052

Unquoted shares carried at cost

The financial assets are in unlisted equity instruments and these are carried at cost less any impairment as the market value cannot be reliably measured.

Unquoted shares carried at fair value

In 2003 the Group acquired 84 'A' ordinary shares of £0.01 each in Hometrack Data Systems Limited for a consideration of £1. This amounts to a 14.19% shareholding in that company. In 2008 the Directors estimated the value of the unlisted equity shares was £3,900,000 based on the estimated present value of the expected royalty income stream at a discount rate of 12%, which resulted in an adjustment of £1,600,000 to the fair value of the unlisted equity share of £5,500,000 at 31 December 2007. The Directors still consider this to be the best estimate of fair value at 31 December 2009.

No deferred tax has been recognised on the gain as the Group is expected to be able to claim the Substantial Shareholding Exemption to offset with any capital gains tax arising for future disposal of the investment.

17. Trade and other receivables

	2009 £'000	2008 £'000
Current		
Trade receivables	**13,079**	9,862
Prepayments and accrued income	**6,973**	4,062
	20,052	13,924

Trade receivables are non-interest bearing and are generally on 0-90 days' terms.

As at 31 December 2009, trade receivables at nominal value of £751,982 (2008: £1,154,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2009 £'000	2008 £'000
At 1 January	**1,154**	1,715
Charge for the year	**289**	789
Amounts written off	**(455)**	(1,192)
Unused amounts reversed	**(236)**	(158)
At 31 December	**752**	1,154

17. Trade and other receivables (continued)

As at 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Total £'000	Neither past due nor impaired £'000	Past due but not impaired 0-90 days £'000	Past due but not impaired >90 days £'000
2009	**13,079**	**7,766**	**5,171**	**142**
2008	9,862	4,752	4,944	166

18. Cash and cash equivalents

	2009 £'000	2008 £'000
Short-term deposits	**858**	647

Cash at bank earns interest at floating rates based on daily bank overnight deposit rates. Short-term deposits are made for varying periods of between one day and three days depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £0.9m (2008: £0.6m). At 31 December 2009, the Group had available £50.8m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met (2008: £27.9m).

19. Trade and other payables

	2009 £'000	2008 £'000
Current		
Trade payables	**6,675**	3,886
Other taxes and social security payable	**5,631**	4,381
Other payables	**277**	310
Accruals	**20,626**	18,987
	33,209	27,564
Non-current		
Accruals	**27**	39

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on between 30 and 60 day terms.
- Other payables are mainly non-interest bearing and have an average term of three months.

20. Financial liabilities

	2009 £'000	2008 £'000
Current		
Unsecured bank loan	**13**	24
Unsecured loan notes	**322**	1,048
Other unsecured loans	**24**	201
Cash-settled share based payment	**313**	–
Contingent consideration	**321**	–
	993	1,273
Non-current		
Secured bank loans – Revolving credit facility	**25,071**	47,772
Unsecured bank loan	**–**	24
Unsecured loan notes	**–**	50
Other unsecured loans	**–**	41
Cash-settled share based payment	**90**	253
Contingent consideration	**325**	471
Derivatives designated as hedges – interest rate swap	**87**	–
	25,573	48,611

Secured bank loans – Revolving credit facility

The secured bank loans totalling £25.1m (2008: £47.8m) are secured by a debenture over the Group's assets excluding the following subsidiaries, Lending Solutions Limited, First Complete Limited and its subsidiaries, property-careers.com Limited, Chancellors Associates Limited and LSLi Limited and its subsidiaries.

The secured bank loans relate to the revolving credit facility. The utilisation of this revolving credit facility may vary each month as long as this does not exceed the maximum £75m facility (2008: £75m). The banking facility expires in July 2010 but can be extended at that date until July 2011 only at the option of the company. As at the year end, the intention of the company is to extend the facility until July 2011 and hence the bank loans have been classified under non-current liabilities.

Interest payable on the revolving credit facility amounted to £1.6m (2008: £3.6m). The interest rate applicable to the facility is LIBOR plus a margin rate of 1.5% (2008: LIBOR plus 2.0%). The margin rate is linked to the leverage ratio of the Group and the margin rate is reviewed at six monthly intervals.

Unsecured bank loan

An unsecured bank loan of £13,000 (2008: £48,000) is outstanding to Barclays Bank plc by a group company. This is repayable over five years ending in June 2010 and incurs interest at a fixed rate of 5.8% per annum.

Unsecured loan notes

Unsecured loan notes of £322,000 (2008: £1,098,000) are outstanding in respect of consideration relating to acquisitions by a group company. These are repayable in 2010, with a fixed rate of interest of 5% per annum.

Other unsecured loan

Unsecured loans of £24,000 (2008: £242,000) are outstanding by a group company. These are repayable in 2010 and incur interest at 8.07% per annum.

Cash-settled share-based payment

An explanation is given in detail in note 12.

Contingent consideration

£863,000 (2008: £624,000) of contingent consideration is payable to third parties in relation to the acquisition of its subsidiaries in 2007. This is payable between three and five years after the acquisition dates depending on the profitability of those subsidiaries in the relevant years. The contingent consideration was recorded at a fair value of £1,771,236 in 2007 using a discount rate of 7 per cent. In 2009, the contingent consideration has been recalculated based on the latest management's expectation of the profitability of subsidiaries and this resulted in an increase of the contingent consideration to £646,000 (2008: £471,000) calculated using a discount rate of 7 per cent (2008: 7 per cent).

Interest rate swap

During the year, the Group entered into three interest rate swaps to hedge its interest rate risks (see note 28). These are carried at fair value.

21. Provisions for liabilities and charges

	2009 Professional indemnity claim provision £'000	2009 Onerous leases £'000	2009 Total £'000	2008 Professional indemnity claim provision £'000	2008 Onerous leases £'000	2008 Total £'000
Balance at 1 January	5,638	2,143	7,781	3,925	589	4,514
Amount utilised	(1,663)	(445)	(2,108)	(445)	(155)	(600)
Amount released	–	(747)	(747)	–	(109)	(109)
Provided in financial year	3,567	692	4,259	2,158	1,818	3,976
Balance at 31 December	7,542	1,643	9,185	5,638	2,143	7,781
Current	122	626	748	93	1,102	1,195
Non-current	7,420	1,017	8,437	5,545	1,041	6,586
	7,542	1,643	9,185	5,638	2,143	7,781

The professional indemnity claim provision relates to ongoing normal legal claims and is the directors' best estimate of the likely outcome of such claims. The provision will be utilised as individual claims are settled and the settlement amount may vary from the amount provided depending on the outcome of each claim. It is not possible to estimate the timing of payment of all claims and therefore most of the provision has been classified as non-current.

The provision for lease obligations relates to obligations under leases on vacant properties. The provision is expected to be fully utilised by June 2020. The final outcome depends upon the ability of the Group to sublet or assign the lease over the related properties.

22. Obligations under leases

Operating leases

The Group had annual commitments in respect of non-cancellable operating leases for which no provision has been made in these financial statements (other than the onerous lease provision as disclosed in note 21). Future minimum rentals payable under these operating leases are as follows:

	2009 Land and building £'000	2009 Plant and machinery £'000	2009 Total £'000	2008 Land and building £'000	2008 Plant and machinery £'000	2008 Total £'000
No later than one year	6,073	1,765	7,838	6,849	1,597	8,446
After one year but not more than five years	17,516	1,596	19,112	20,478	915	21,393
After five years	10,442	–	10,442	13,725	–	13,725
	34,031	3,361	37,392	41,052	2,512	43,564

22. Obligations under leases (continued)

The Group had annual commited revenue in respect of non-cancellable operating leases for which no accrual has been made in these financial statements. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2009 Land and buildings £'000	2008 Land and buildings £'000
Not later than one year	**374**	296
After one year but not more than five years	**914**	779
After five years	**588**	546
	1,876	1,621

23. Share capital

	2009		2008	
	Shares	**£'000**	Shares	£'000
Authorised:				
Ordinary shares of 0.2p each	**500,000,000**	**1,000**	500,000,000	1,000
Issued and fully paid:				
At 1 January and 31 December	**104,158,950**	**208**	104,158,950	208

24. Reserves

Share premium

The amount subscribed for share capital in excess of nominal value less any costs attributable to the issue of new shares.

Share-based payment reserve

The share-based payment reserve is used to record the value of equity-settled share-based payment provided to the employees, as part of their remuneration. Note 12 gives further details of these plans.

Treasury shares

The Company has an employee share trust (ESOT) for the granting of group shares to executives and senior employees. The Company acquired 147,219 of its own shares via the trust in November 2006. The total amount paid to acquire the shares was £297,920. During the year, an employee exercised his share options and the trust sold 59,259 shares to the open market on his behalf. The market value of the remaining shares held by ESOT on 26 February 2010 was £236,612 (20 February 2009: £92,012). The nominal value of each share is 0.2p.

The Company also has an employee benefit trust (EBT) for the granting of group shares under the employee SAYE schemes. The Company acquired 1,000,000 of its own shares via the trust in August 2007 and 200,000 of its own shares via the trust in March 2008. The total amount paid to acquire the shares was £2,636,000. The market value of the shares held by EBT on 26 February 2010 was £3,228,000 (26 February 2009: 768,000). The nominal value of each share is 0.2p.

Unrealised gains reserve

This reserve records fair value changes on available-for-sale financial assets.

Hedging loss

The cash flow hedge loss contains the effective portion of the cash flow hedge relationships incurred as at the reporting date and the effective portion of the gain or loss on hedging instruments in cash flow hedge.

25. Pensions costs and commitments

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

The Group, from January to March 2009, made a contribution of a maximum of 5% of pensionable salaries and the cost of death-in-service benefits, where 'old' members of the existing defined contribution scheme, make contributions to the scheme. Contributions to the scheme were suspended by the Group in April 2009.

The Group's contributions for 'new' members of the defined contribution stakeholder scheme (those members who were part of the Aviva scheme until the Group left the Aviva group in 2004) were 10% of pensionable salaries until the end of July 2007 where members contribute and the cost of the death-in-service benefits. From August 2007 the Group's contributions for these 'new' members of the defined contribution stakeholder scheme reverted to a maximum 5% of pensionable salaries where members contribute, and the cost of the death-in-service benefits. The Group made contributions from January to March 2009, but suspended contributions in April 2009.

Total contributions to the defined contribution schemes in the year were £1.2m (2008: £2.1m). There was an outstanding amount of £159,000 in respect of pensions as at 31 December 2009 (2008: £199,000).

26. Acquisitions during the year

Year ended 31 December 2009

On 24 April 2009, the Group acquired certain assets of an estate agency business for a cash consideration of £135,000. On 11 June 2009, the Group acquired another estate agency business for a cash consideration of £15,000. The combined effect of all acquisitions had the following effect on the Group's assets and liabilities:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Other intangible assets – order book	**–**	**33**	**33**
			33
Goodwill arising on acquisition			**117**
			150
Discharged by:			
Cash			**150**

Other disclosure required by IFRS 3 was not given as it is not practical on the basis that these acquisitions were considered insignificant to the Group.

Year ended 31 December 2008

On 25 February 2008, the Group acquired the minority interest (4%) in property-careers.com Limited for a cash consideration of £126,000, and the minority interest (26.5%) in Linear Financial Services Holdings Limited for a cash consideration of £150,000.

The combined effect of all acquisitions had the following effect on the Group's assets and liabilities:

	Fair value £'000
Goodwill arising on acquisition	**276**
	276
Discharged by:	
Cash	**276**

27. Client monies

As at 31 December 2009, client monies held by subsidiaries in approved bank accounts amounted to £25,576,000 (2008: £21,423,033). Neither this amount, nor the matching liabilities to the clients concerned are included in the Group balance sheet, as the Group is not entitled to the benefit from the use of the amount held in these accounts.

28. Financial instruments – risk management

The Group's principal financial instruments comprise bank loans and other loans. The main purpose of these financial instruments is to raise finance for the Group's operations and to fund acquisitions. The Group has various financial assets and liabilities such as trade receivables, cash and short - term deposits and trade payables, which arise directly from its operations.

The Group enters into derivative transactions, relating to the purchase of interest rate cap products and interest rate swaps. The purpose is to manage the interest cost arising from the Group's operations and its sources of finance.

It is, and has been throughout 2009 and 2008 the Group's policy that trading in derivatives shall not be undertaken, apart from the interest rate cap products and interest rate swap agreements mentioned above.

The Group is exposed through its operations to one or more of the following financial risks:

- Cash flow interest rate risk
- Liquidity risk, and
- Credit risk

Policy for managing these risks is set up by the Board following recommendations from the Group Finance Director. Certain risks are managed centrally, while others are managed locally following communications from the centre.

The policy for each of the above risks is described in more detail below:

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

It is currently the Group policy that the majority of external Group borrowings are variable interest based. This policy is managed centrally. Operations are not permitted to borrow from external sources. Where the Group wishes to fix the amount of external variable rate debt, it considers the use of cap products and interest rate swap agreements available to achieve the desired interest rate profile. The Group purchased an interest rate cap in September 2004 to protect itself against fluctuating interest rates on £25.9m of the Group's borrowings initially (reducing in line with the loan repayments). The borrowings tied to this cap were repaid in July 2006. This cap restricted the LIBOR to 6% until 30 September 2006 and 6.5% until 30 September 2007.

The Group purchased a further interest rate cap in August 2006 to protect itself against fluctuating interest rates on £30m of the Group's borrowings initially (reducing in line with the facility). This cap restricted the LIBOR to 6% on £30m of the facility until 24 August 2009.

The Group entered into an interest rate swap agreement in April 2009 to fix interest rates on £10m of the Group's bank borrowings. The interest rate swap agreement restricts the LIBOR to 2.91% until 17 April 2014. On 13 May 2009, the Group entered into a further interest rate swap agreement for £10m of the Group's bank borrowings. The interest rate swap agreement restricts the LIBOR to 2.96% until 13 May 2014. On 15 May 2009, a further interest rate swap agreement was entered into for £5m of the Group's bank borrowings. The interest rate swap agreement restricts the LIBOR rate to 2.9% until 15 May 2014. The group applied hedge accounting (using cash flow hedge) on these interest rate swap agreements as these swaps are designated to hedge underlying debt obligations. See note 2 for the accounting policy on hedge accounting.

Although the Group accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

At 31 December 2009, after taking into account the effect of interest rate swaps, approximately 100% of the Group's borrowings are at a fixed rate of interest (2008: 4%).

28. Financial instruments – risk management (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings, after the impact of hedge accounting. With all other variables held constant, the Group's profit/(loss) before tax is affected through the impact on floating rate borrowings as follows. There is no material impact on the Group's equity.

	Increase / decrease in basis point	Effect on profit/(loss) before tax £'000
2009	**+100**	**(1)**
	-100	**1**
2008	+100	(478)
	-100	478

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generation by its operations, dividend policy and acquisition strategy. Acquisitions are carefully selected with authorisation limits operating up to Group board level and cash payback periods applied as part of the investment appraisal process. In this way the Group aims to maintain a good credit rating to facilitate fund raising.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (eg accounts receivables, and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility for potential acquisitions through the use of its banking facilities.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2009 based on contractual undiscounted payments:

Year ended 31 December 2009

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Interest bearing loans and borrowings	–	116	1,647	25,782	–	**27,545**
Trade and other payables	–	33,058	151	27	–	**33,236**
Interest rate swap	–	280	486	2,291	–	**3,057**
	–	33,454	2,284	28,100	–	**63,838**

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts.

Year ended 31 December 2009

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Inflows	–	50	175	2,745	–	**2,970**
Outflows	–	(280)	(486)	(2,291)	–	**(3,057)**
Net	–	(230)	(311)	454	–	**(87)**

Year ended 31 December 2008

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Interest bearing loans and borrowings	–	631	2,882	51,288	–	54,801
Trade and other payables	–	27,564	–	39	–	27,603
	–	28,195	2,882	51,327	–	82,404

28. Financial instruments – risk management (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains appropriate capital structure to support its business objectives and maximise shareholder value. Capital includes share capital and other equity attributable to the equity holders of the parent.

In the medium to long term, the Group will strive to maintain a reasonable leverage (ie balance between debt and equity) to help achieve the Group's business objectives of growth (through acquisitions and organic growth) and dividend policy. In the short term, the Group does not have a set leverage ratio to be achieved but the directors monitor the ratio of net debt to operating profit to ensure that the debt funding is not excessively high.

The Group has a current ratio of net debt to operating profit of 0.93:1 (2008: 2.96:1 restated), net debt of £24.2m (2008: £49.2m) and operating profit before exceptional costs, amortisation and share-based payment charge of £28.3m (2008: £18.2m). The business is cash generative with a low capital expenditure requirement. In light of the unprecedented market conditions in 2008, the Group suspended the payment of dividend for 2008. However, the Group remains committed to its stated dividend policy of 30% to 40% of net profit and proposes to pay a dividend in early 2010. In addition, the Group's other main priority is to generate cash to support its operations and to fund any strategic acquisitions.

	2009 £'000	2008 £'000
Interest bearing loans and borrowings	**26,566**	49,884
Less: cash and short term deposit	**(858)**	(647)
Net debt	**25,708**	49,237

The liquidity risk of each Group entity is managed centrally by the Group treasury function. The Group's cash requirement is monitored closely.

All surplus cash is held centrally to offset against the Group's borrowings and reduce the interest payable. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements. The Group has a revolving credit facility with a major banking corporation to manage longer term borrowing requirements.

Credit risk

There are no significant concentrations of credit risk within the Group. The Group is exposed to a credit risk in respect of revenue transactions (ie turnover from customers). It is Group policy, implemented locally, to obtain appropriate details of new customers before entering into contracts. The majority of the estate agency customers use the Group's services as part of a house sale transaction and consequently the debt is paid from the proceeds realised from the sale of the house by the vendor's solicitor before the balance of funds is transferred to the vendor. In addition, during the year, the Group entered into a third party finance arrangement for the payment of Home Information Packs ('HIPs'). Any trade receivables arising from HIPs were paid upfront by the third party finance company with no recourse. These minimise the risk of the debt not being collected.

The majority of the surveying customers and those of the asset management business are large financial institutions and as such the credit risk is not expected to be significant. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

Interest rate risk profile of financial assets and liabilities

Treasury policy is described in the note above. The disclosures below exclude short term receivables and payables which are primarily of a trading nature and expected to be settled within normal commercial terms.

The interest rate profile of the financial assets and liabilities of the Group as at 31 December 2009 is as follows:

Fixed rate

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Unsecured loans	(359)	–	–	–	–	–	**(359)**
Revolving credit facility*	–	–	(25,000)	–	–	–	**(25,000)**

28. Financial instruments – risk management (continued)

Interest rate risk profile of financial assets and liabilities (continued)

Floating rate

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Cash and cash equivalents	858	–	–	–	–	–	**858**
Revolving credit facility	–	–	(71)	–	–	–	**(71)**

*** includes the effect of interest rate swap.**

The effective interest rate and the actual interest rate charged on the loans is as follows:

	Effective rate and actual rate
Revolving credit facility	4.43%
Other unsecured loans	7.81%
Unsecured loan notes	5.00%
Unsecured bank loan	5.80%

The interest rate profile of the financial assets and liabilities of the Group as at 31 December 2008 is as follows:

Fixed rate

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Unsecured loans	(1,072)	(74)	–	–	–	–	**(1,146)**
Interest rate cap	13	–	–	–	–	–	**13**

Floating rate

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Cash and cash equivalents	647	–	–	–	–	–	**647**
Revolving credit facility	–	–	(47,772)	–	–	–	**(47,772)**
Unsecured loans	(201)	(41)	–	–	–	–	**(242)**

Interest rate risk profile of financial assets and liabilities

The effective interest rate and the actual interest rate charged on the loans were as follows:

	Effective rate and actual rate
Unsecured bank loan	10.00%
Unsecured loan notes	5.00%
Revolving credit facility	7.88%
Other unsecured loans	6.31%
Other secured loans	1.94%

28. Financial instruments – risk management (continued)

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements:

	2009 Book Value £'000	2009 Fair Value £'000	2008 Book Value £'000	2008 Fair Value £'000
Financial assets				
Cash and cash equivalents	**858**	**858**	647	647
Interest rate cap	**–**	**–**	13	13
Available-for-sale financial assets	**4,052**	**4,052**	4,052	4,052
Financial liabilities				
Interest-bearing loans and borrowings:				
Floating rate borrowings	**(25,071)**	**(25,071)**	(48,014)	(48,014)
Fixed rate borrowings	**(359)**	**(359)**	(1,146)	(1,100)
Derivative financial liabilities – interest rate swaps	**(87)**	**(87)**	–	–
Contingent consideration	**(646)**	**(509)**	(471)	(451)

The fair values for the majority of the financial instruments have been calculated by discounting the expected future cash flows at interest rates prevailing for a comparable maturity period for each instrument. The fair values of the interest rate caps are determined by reference to market values for similar instruments.

Fair value hierarchy

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value

	2009 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Available-for-sale financial assets				
Unquoted shares	**3,900**	–	–	3,900

Liabilities measured at fair value

	2009 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Derivatives designated as hedges				
Interest rate swap	**87**	–	87	–

29. Analysis of net debt

	2009 £'000	2008 £'000
Interest bearing loans and borrowings	**26,566**	49,884
Less: cash and short-term deposits	**(858)**	(647)
Net debt at the end of the year	**25,708**	49,237

During the year, the Group has repaid £22.7m (2008: borrowed an additional £0.3m) of the revolving credit facility. The utilisation of this revolving credit facility may vary each month as long as this does not exceed the maximum £75m facility. The banking facility expires in July 2010 and can be extended at that date until July 2011 only at the option of the company. The revolving credit facility is repayable when funds permit.

The interest rate applicable to the facility is LIBOR plus a margin rate of 1.5% (2008: 2.0%). The margin rate is linked to the leverage ratio of the Group and the margin rate is reviewed at six monthly intervals.

30. Related party transactions

There were no other related party transactions with directors in the year ended 31 December 2009 (2008: £nil) other than the remuneration paid to the directors as disclosed in note 12.

31. Capital commitments

	2009 £'000	2008 £'000
Capital expenditure contracted for but not provided	**34**	91

Notes to the group financial statements (continued)

for the year ended 31 December 2009

32. Principal subsidiary companies

The Group owns directly or indirectly the following issued and fully paid ordinary and preference share capital of its principal subsidiary undertakings, all of which are incorporated in Great Britain and whose operations are conducted mainly in the United Kingdom:

Name of subsidiary company	Holding	Proportion of nominal value of shares held	Nature of business
your-move.co.uk Limited	Ordinary shares	100%	Estate agency and related activities
e.surv Limited *	Ordinary shares	100%	Surveying and valuation services
Homefast Property Services Limited	Ordinary shares	77.5%	Provider of Home Information Packs
Property-careers.com Limited	Ordinary shares	100%	Training services
First Complete Limited	Ordinary shares	100%	Financial services
Reeds Rains Limited *	Ordinary shares	100%	Estate agency and related activities
Linear Mortgage Network Limited	Ordinary shares	65%	Mortgage services
Linear Financial Services Limited	Ordinary shares	86%	Mortgage services
Chancellors Associates Limited	Ordinary shares	100%	Surveying and valuation services
LSLi Limited*	Ordinary shares	75%	Holding company
ICIEA Limited	Ordinary shares	87.5%	Estate agency and related activities
Barnwoods Limited*	Ordinary shares	95%	Surveying and valuation services
David Frost Estate Agents Limited	Ordinary 'A' shares Ordinary 'B' shares Non cumulative preference redeemable shares	100%	Estate agency and related activities
JNP Estate Agents Limited	Ordinary shares Ordinary 'B' shares Ordinary 'C' shares	80%	Estate agency and related activities
Albany Insurance Company (Guernsey) Limited	Ordinary shares	100%	Captive insurer

* held directly by the Company

33. Post balance sheet events

On 15 January 2010, the Group acquired the entire share capital of Halifax Estate Agencies Limited for the consideration of £1. The details of the effect of the acquisition on the Group's assets and liabilities have not been disclosed as the Group is currently in the process of determining the fair value of the net assets acquired.

On 9 February 2010, the Group acquired the entire share capital of Templeton LPA Limited for the initial consideration of £462,000 and an element of contingent consideration, which is dependent on the future performance of the company. The details of the effect of the acquisition on the Group's assets and liabilities have not been disclosed as the Group is currently in the process of determining the fair value of the net assets acquired.

Statement of directors' responsiblities in relation to the parent company financial statements

The directors are responsible for preparing the Annual 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 (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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- 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 proper 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.

Independent Auditor's Report to the Members of LSL Property Services plc

We have audited the parent company financial statements of LSL Property Services plc for the year ended 31 December 2009 which comprise the Company Balance Sheet and the related notes 1-15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009;
- 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009;
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the group financial statements of LSL Property Services plc for the year ended 31 December 2009.

Stuart Watson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Leeds
3 March 2010

Parent company balance sheet

as at 31 December 2009

	Note	2009 £'000	2008 *restated** £'000
Fixed assets			
Tangible fixed assets	3	**56**	6
Investments	4	**109,157**	108,507
		109,213	108,513
Current assets			
Debtors	5	**37,374**	37,892
Creditors: amounts falling due within one year	6	**73,936**	53,348
Net current liabilities		**(36,562)**	(15,456)
Total assets less current liabilities		**72,651**	93,057
Creditors: amounts falling due after one year	7	**39,706**	58,942
Net assets		**32,945**	34,115
Capital and reserves			
Called up share capital	10	**208**	208
Share premium account	11	**5,629**	5,629
Share-based payment reserve	11	**2,019**	1,742
Treasury shares	11	**(2,805)**	(2,934)
Hedging loss	11	**(63)**	–
Profit and loss account	11	**27,957**	29,470
Equity shareholders' funds		**32,945**	34,115

* the details of the restatement of the 2008 figures are given in note 1 of the company financial statements.

The Company has elected to take exemption under Section 408 of the Companies Act 2006 to not present the parent company profit and loss account.

The financial statements were approved by the Board on 3 March 2010 and were signed on its behalf by:

D A Fielding *Director* **S D Embley** *Director*

Notes to the parent company financial statements
for the year ended 31 December 2009

1. Accounting policies

Basis of preparation of financial statements

The financial statements of the Company have been prepared under the historical cost convention, in accordance with applicable Accounting standards in the United Kingdom and with those parts of the Companies Act 2006 applicable to companies reporting under UK GAAP.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2009. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the exemption in paragraph of 2D of FRS 29 *Financial Instruments: Disclosures* and has not disclosed information required by that standard, as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 *Financial Instruments: Disclosures*.

Change in accounting policy

FRS 20 Share-based Payment – Vesting Conditions and Cancellations

The amendment to FRS 20 restricts the definition of vesting conditions to include only service conditions (requiring a specified period of service to be completed) and performance conditions (requiring the other party to achieve a personal goal or contribute to achieving a corporate target). All other features are not vesting conditions and, whereas a failure to achieve such a condition was previously regarded as a forfeiture (giving rise to a reversal of amounts previously charged to profit), it must be reflected in the grant date fair value of the award and treated as a cancellation, which results in either an acceleration of the expected charge, or a continuation over the remaining vesting period, depending on whether the condition is under the control of the entity or counterparty.

The company treated the employees' withdrawal from the SAYE schemes as cancellation, which resulted in acceleration of the charge because the withdrawal is under the control of the employees. The adoption of this amendment had the effect of increasing the share-based payment reserve by £1,413,000 for the year ended 31 December 2008, with the corresponding impact on investment in group undertakings, as the share options were granted to employees of subsidiary undertakings. There is no impact on the financial statements as of 1 January 2008.

Taxation

Current Tax
Current tax (UK corporation tax) is provided at amounts expected to be paid (or recovered) using the tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred Tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise for in the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pensions costs

The Company operates a defined contribution pension scheme for employees of the Company, although contributions to the scheme were suspended during the year. The assets of the scheme are invested and managed independently of the finances of the Company. Contributions to the defined contribution scheme are recognised in the profit and loss account in the period in which they become payable.

1. Accounting policies (continued)

Share-based payment transactions

The share option programme allows group employees to acquire shares of the Company. The fair value of the options granted is recognised as an employee expense with the corresponding increase in equity in the case of equity settled schemes. The fair value is measured at the 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 vest. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-market vested condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the company in its individual financial statements. In particular, the Company records an increase in its investment in subsidiaries with a credit to equity equivalent to the FRS 20 cost in subsidiary undertakings.

Investment in subsidiaries

Investments in subsidiaries are stated at cost and reviewed for impairment if there are any indications that the carrying value may not be recoverable.

Treasury shares

The Company has an employee share trust (ESOT) for the granting of group shares to executives and senior employees. Shares in the Company held by the employee share trust are treated as treasury shares and presented in the balance sheet as a deduction from equity. Dividends earned on shares held in the trust have been waived.

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. Financial assets are de-recognised 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 de-recognised when the obligation under the liability is discharged, cancelled or expires. All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the Company commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification.

The Company's accounting policy for each category of financial instruments is as follows:

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in investment income and finance costs.

Finance costs comprise interest payable on borrowings calculated at the effective interest rate method and recognised on an accruals basis, together with dividends paid.

Borrowing costs are recognised as an expense when incurred.

Derivative financial instruments

The Company uses derivative financial instruments such as interest rate caps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

The directors have taken advantage of FRS29 and have excluded disclosures relating to financial instruments from the financial statements on the basis that the financial instruments of the Company are included within the consolidated financial statements of the Group.

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the assets capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life as follows:

Fixtures and fittings	–	over 5 years
Computer equipment	–	over 3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2. Company loss for the financial year after tax

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The loss after tax for the year was £1,513,000 (2008: loss £3,858,000).

3. Tangible fixed assets

As at 31 December 2009

	Fixtures, fittings and computer equipment £'000
Cost	
At 1 January 2009	9
Additions	53
At 31 December 2009	**62**
Depreciation	
At 1 January 2009	3
Charge for the year	3
At 31 December 2009	**6**
Carrying amount	
At 31 December 2009	**56**
At 31 December 2008	6

4. Investments in group undertakings

Details of the subsidiaries held directly and indirectly by the Company are shown in note 32 to the Group financial statements.

	2009 £'000	2008 *restated** £'000
At 1 January	**108,507**	107,992
Additions	**250**	–
Adjustment for contingent consideration	**89**	(754)
Adjustments for share-based payment	**311**	1,269
At 31 December	**109,157**	108,507

* the details of the restatement of the 2008 figures are given in note 1 of the company financial statements.

In 2009, an adjustment of £311,000 increase (2008 restated: £144,000 decrease) on investment in subsidiaries for the share-based payment, representing the financial effects of awards by the Company of options over its equity shares to employees of subsidiary undertakings.

In August 2007, the Company set up LSLi Limited (a 75% subsidiary) to acquire other estate agency companies. The Company has a 'put and call option' on the remaining 25% of the shares in LSLi Limited. In 2007, the Company estimated the payout under the 'call option' to be £754,003 and included the same as a cost of investment. In 2008, the Company estimated the payout under the 'call option' to be nil and thus, adjustment to reduce the cost of investment was made. Reassessment in 2009 resulted in an adjustment of the estimate of the payout to £125,000, of which £89,000 has been adjusted against investment in group undertakings.

5. Debtors

	2009 £'000	2008 £'000
Deferred tax asset (note 8)	**40**	16
Group relief receivable	**8,277**	6,180
Prepayments	**1,643**	18
Amounts owed by group undertakings	**27,414**	31,678
	37,374	37,892

6. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Other taxes and social security payable	**90**	–
Accruals	**811**	624
Contingent consideration	**125**	–
Amounts owed to group undertakings	**72,910**	52,724
	73,936	53,348

7. Creditors: amounts falling due after one year

	2009 £'000	2008 £'000
Loans (note 9)	**39,592**	58,942
Derivative financial liability - interest rate swap	**87**	–
Accruals	**27**	–
	39,706	58,942

8. Deferred tax asset

	2009 £'000	2008 £'000
Deferred tax asset at 1 January	**16**	14
Deferred tax credited to equity	**24**	–
Deferred tax credit/(charge) in income statement for the year	**–**	2
Deferred tax asset at 31 December	**40**	16

Deferred tax asset is in relation to a short term timing difference.

9. Loans

	2009 £'000	2008 £'000
Amounts falling due		
In one year or less	**–**	–
In more than one year but not more than two years	**39,592**	58,942
	39,592	58,942

Secured bank loans - Revolving credit facility

The secured bank loans totalling £39.6m (2008: £58.9m) are secured by a debenture over the Group's assets excluding the following subsidiaries, Lending Solutions Limited, First Complete Limited and its subsidiaries, property-careers.com Limited, Chancellors Associates Limited and LSLi Limited and its subsidiaries.

The secured bank loans relate to the revolving credit facility. The utilisation of this revolving credit facility may vary each month as long as this does not exceed the maximum £75m facility (2008: £75m). The banking facility expires in July 2010 but can be extended at that date until July 2011 only at the option of the company. As at the year end, the intention of the company is to extend the facility until July 2011 and hence the bank loans have been classified under non-current liabilities.

The interest rate applicable to the facility is LIBOR plus a margin rate of 1.5% (2008: 2.0%). The margin rate is linked to the leverage ratio of the Group and the margin rate is reviewed at six monthly intervals.

10. Called up share capital

	2009 Shares	£'000	2008 Shares	£'000
Authorised				
Ordinary shares of 0.2p each	**500,000,000**	**1,000**	500,000,000	1,000
Issued and fully paid:				
At 1 January and 31 December	**104,158,950**	**208**	104,158,950	208

11. Reconciliation of movements in shareholders' funds

	Share capital £'000	Share premium account £'000	Share-based payment reserve *restated** £'000	Treasury shares £'000	Hedging loss £'000	Profit and loss account £'000	Total £'000
At 1 January 2008	208	5,629	463	(2,669)	–	37,294	40,925
Share-based payments (restated*)	–	–	1,279	–	–	–	1,279
Purchase of treasury shares	–	–	–	(265)	–	–	(265)
Dividend paid	–	–	–	–	–	(3,966)	(3,966)
Loss for the year	–	–	–	–	–	(3,858)	(3,858)
Balance at 31 December 2008 (restated*)	208	5,629	1,742	(2,934)	–	29,470	34,115
Share-based payments	–	–	277	–	–	–	277
Reissuance of treasury shares	–	–	–	129	–	–	129
Net loss on cash flow hedge (net of tax)	–	–	–	–	(63)	–	(63)
Loss for the year	–	–	–	–	–	(1,513)	(1,513)
Balance at 31 December 2009	**208**	**5,629**	**2,019**	**(2,805)**	**(63)**	**27,957**	**32,945**

* the details of the restatement of the 2008 figures are given in note 1 of the Company financial statements.

For a description of the reserves refer to note 24 of the Group financial statements.

Share premium

The amount subscribed for share capital in excess of nominal value less any costs attributable to the issue of new shares.

Share-based payment reserve

This represents the amount provided in the year in respect of share awards. The Company operates a Long Term Incentive Plan and a number of Save As You Earn schemes for the employees in the Company and the Group. See note 12 of the Group financial statements for details of the Long Term Incentive Plan and the Save As You Earn schemes.

12. Pensions costs and commitments

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

The Company's contributions for 'old' members of the existing defined contribution section of the scheme (those members who have always been in this scheme) throughout 2008, were a maximum of 5% of pensionable salaries where members contribute and the cost of the death-in-service benefits. Contributions to the scheme were suspended in April 2009.

The Company's contributions for 'new' members of the defined contribution stakeholder scheme (those members who were part of the Aviva scheme until the Company left the Aviva group in 2004) were 10% of pensionable salaries until the end of July 2007 where members contribute and the cost of the death-in-service benefits. From August 2007 the Company's contributions for these 'new' members of the defined contribution stakeholder scheme reverted to 5% of pensionable salaries where members contribute, and the cost of the death-in-service benefits. Contributions to the scheme were suspended in April 2009.

Total contributions to the defined contribution schemes in the year were £5,745 (2008: £15,694).

There were no outstanding amounts in respect of pensions as at 31 December 2009 (2008: £nil).

13. Capital commitments

The Company had no capital commitments as at 31 December 2009 (2008: none).

14. Post balance sheet events

On 15 January 2010, the Company acquired the entire share capital of Halifax Estate Agencies Limited for the consideration of £1. The details of the effect of the acquisition on the Group's assets and liabilities have not been disclosed as the Group is currently in the process of determining the fair value of the net assets acquired.

On 9 February 2010, one of the Company's subsidiaries, First Complete Limited acquired the entire share capital of Templeton LPA Limited for the initial consideration of £462,000 and an element of contingent consideration, which is dependent on the future performance of the company. The details of the effect of the acquisition on the Group's assets and liabilities have not been disclosed as the Group is currently in the process of determining the fair value of the net assets acquired.

15. Related party transactions

The Company has taken advantage of the exemption under FRS 8 not to disclose transactions with wholly owned subsidiaries. During the year the transactions entered into by the Company with the non-wholly owned subsidiaries are as follows:

	Sales to related parties £'000	Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Linear Mortgage Network Limited				
2009	–	–	231	–
2008	–	–	9	–
Linear Financial Services Limited				
2009	–	–	117	–
2008	–	–	25	–
LSLi Limited				
2009	–	–	–	5,308
2008	–	–	–	4,865
ICIEA Limited				
2009	–	–	80	–
2008	–	–	315	–
Barnwoods Limited				
2009	–	–	10,679	–
2008	–	–	16,679	–
JNP Estate Agents Limited				
2009	–	–	–	136
2008	–	–	24	–

Definitions

"Adjusted Basic earnings Per Share"
Is defined at note 10 of the Financial Statements

"AGM"
Annual General Meeting

"Barnwoods"
Barnwoods Limited

"CCD"
comprising First Complete and St Trinity providing repossession, asset management and corporate letting services

"C&G"
Cheltenham & Gloucester

"Chancellors Associates"
Chancellors Associates Limited

"Combined Code"
Combined Code on Corporate Governance published by the Financial Reporting Council in 2006

"EPC"
Energy performance certificate

"e.surv"
e surv Limited

"First Complete"
First Complete Limited

"Frosts"
David Frost Estate Agents Limited

"HIP"
Home Information Pack

"Intercounty"
ICIEA Limited

"IFRS"
International Financial Reporting Standards

"JNP"
JNP Estate Agents Limited

"Linear"
Linear Mortgage Network and Linear Financial Services

"Linear Financial Services"
Linear Financial Services Limited

"Linear Mortgage Network"
Linear Mortgage Network Limited

"LSLi"
LSLi Limited and its subsidiaries JNP, Intercounty and Frosts.

"LSL" or **"Group"**
LSL Property Services plc and its subsidiaries

"Net Debt"
is defined as financial liabilities less cash and cash equivalents

"Openwork"
Openwork Holdings Limited

"Reeds Rains"
Reeds Rains Limited

"Underlying Operating Profit/Loss"
is before exceptional costs, amortisation of intangible assets and share based payments

"Your Move"
your-move.co.uk Limited

Investor information

Company details

LSL Property Services Plc
Registered in England (Company Number 5114014)
Registered Office
Newcastle House, Albany Court, Newcastle Business Park, Newcastle Upon Tyne, NE4 7YB
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Facsimile 01904 715354
E-mail enquiries@lslps.co.uk
Website www.lslps.co.uk

Share listing

LSL Property Services plc 0.2 pence ordinary shares are listed on the London Stock Exchange under ISIN GB00BIG5HX72

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Website www.capitaregistrars.com
Email shareholder.services@capitaregistars.com

If you move, please do not forget to let the Registrars know your new address

Provisional calendar of events

Preliminary Results Released	**3 March 2010**
AGM Proxy Form Deadline	**2.30pm 20 April 2010**
AGM	**2.30pm 21 April 2010**

The AGM will be held at the offices of Buchanan Communications, 45 Moorfields, London, EC2Y 9AE. The notice to shareholders details the proposed resolutions.

In accordance with its Articles of Association, LSL publishes shareholder information, including notice of AGMs and the Annual Report and accounts on its website, www.lslps.co.uk. Reducing the number of communications sent by post not only results in cost savings to LSL, it also reduces the impact that unnecessary printing and distribution of reports has on the environment.

At the 2007 AGM, a resolution was passed to amend LSL's Articles of Association to take full advantage of the provisions in the Companies Act 2006 in relation to electronic communications. In particular, the provisions enable all communications between the shareholders and LSL to be made in electronic form. Documents will be supplied via LSL's website to shareholders who have not requested a hard copy, or provided an e-mail address to which documents of information may be sent. Where a shareholder has consented to receive information via the website, a letter will be sent to the shareholder on release of any information directing them to the website.

If a shareholder wishes to continue to receive hard copy documents they should contact Capita Registrars (details above).

LSL Property Services plc

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