www.lslps.co.uk
Registered in England
(Company Number 5114014)
Registered Office:
Newcastle House
Albany Court
Newcastle Business Park
Newcastle upon Tyne
NE4 7YB
Tel: 020 3215 1015
Fax: 020 7920 9443
Email: enquiries@lslps.co.uk

LSL Property Services plc

LSL Property Services plc Annual Report and Accounts 2015

LSL Property Services plc

Annual Report and Accounts Year ended 31st December 2015

LSL Property Services plc

LSL Property Services plc
Annual Report and Accounts 2015

LSL Property Services plc, a leading provider of residential property services to its key customer groups incorporating both estate agency and surveying businesses.

Contents

Directors' Report and Business Review

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 of LSL including, amongst other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates, inflation, deflation, the impact of competition, changes in customer preferences, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities, the impact of tax or other legislation and other regulations in the UK. As a result LSL's actual future condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward looking statements. Nothing in this Report should be construed as a profit forecast. Information about the management of the Principal Risks and Uncertainties facing LSL is set out within the Strategic Report on pages 22 to 25.

Highlights 2015

A record result for the Group

Group

£300.6m
Group Revenue
Up 5% (2014: £287.5m)

£42.9m
Group Underlying Operating Profit
Up 2% (2014: £42.0m)

14.3%
Group Underlying Operating Margin
(2014: 14.6%)

£38.6m
Profit Before Tax
Up 21% (2014: £31.9m)

31.5p
Adjusted Basic Earnings Per Share
Up 3% (2014: 30.5p)

12.6p
Full Year Ordinary Dividend Per Share
Up 2% (2014: 12.3p (excluding 16.5 pence Special Dividend relating to Zoopla share disposal))

Estate Agency and Related Services

£31.3m
Operating Profit
Down 8% (2014: £33.9m)

Surveying and Valuation Services

£18.1m
Operating Profit
Up 36% (2014: £13.3m)

	2015	2014	% Change
Group revenue £m	300.6	287.5	5
Group Underlying Operating Profit[1] £m	42.9	42.0	2
Group Underlying Operating Margin %	14.3	14.6	
Profit before tax £m	38.6	31.9	21
Basic Earnings Per Share – pence	30.1	24.5	23
Adjusted Basic Earnings Per Share – pence[2]	31.5	30.5	3
Net Bank Debt[3] at 31st December £m	39.9	34.7	
Final proposed ordinary dividend per share – pence	8.6	8.3	
Full year ordinary dividend per share (excluding special dividend) – pence	12.6	12.3	2
Special dividend per share – pence	-	16.5	-

Notes:
[1] Underlying Operating Profit is before exceptional gains and exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments
[2] Refer to Note 10 for the calculation
[3] Refer to Note 30 for the calculation

LSL Today

LSL has established leading positions in its market segments

LSL is a leading provider of residential property services to its key customer groups. Services to consumers include: residential sales, lettings, surveying, conveyancing and advice on mortgages and non-investment insurance products. Services to mortgage lenders include: valuations and panel management services, asset management and property management services.

Estate Agency Division – Estate Agency and Related Services

Residential Sales and Lettings

LSL is the second largest estate agency network in the UK[1]. It has strong established high street brands including Your Move, the most recognised estate agency brand in the UK[2], and Marsh & Parsons which brings exposure to the Central London property market. Branch services include Residential Sales, Lettings and Financial Services and a successful franchise model operates in 114 branches across Your Move, Reeds Rains and Davis Tate. All brands are members of The Property Ombudsman (TPO) Redress Scheme, which operates a residential sales and lettings code of practice approved by the Trading Standards Institute (TSI) under its Consumer Codes Approval Scheme (CCAS).

Your Move

The largest single branded UK estate agency with 282 branches operating throughout the UK and the most visited UK estate agency website[3] with over 10 million visits in 2015[4]. www.your-move.co.uk was relaunched in 2015 with a responsive design and personalised features for customers. The new platform will be available to all LSL brands in 2016.

www.your-move.co.uk

Reeds Rains

A predominantly northern based network of 167 branches and the highest brand awareness of any estate agent brand in the North East, the North West and Yorkshire[2].

www.reedsrains.co.uk

Marsh & Parsons

Leading London premium brand estate agency operating in the prime Central, North West, West and South West London property markets out of 24 branches.

www.marshandparsons.co.uk

LSLi

LSLi is the holding company and financial services provider for nine estate agency brands with an expanding network of 65 branches. The brands in the LSLi network are based predominantly in and around Greater London and the Home Counties.

www.lsli.co.uk

Asset Management

LSL's asset management companies are market leaders in the sale of residential properties on behalf of corporate clients. In 2015 they managed 2,954 repossessions utilising a network of up to 1,652 estate agency branches nationwide.

LSL Corporate Client Department

LSL CCD operates a repossessions asset management business and a property management business for multi-property landlords and is a leading property specialist, providing services to national and global institutions.

www.lsl-ccd.co.uk

St Trinity Asset Management

The Group's second asset management business was created in 2010 and specialises in repossession property sales as well as offering a range of other services including part exchanged property sales, bulk property disposal, auction sales, property relocations and conveyancing.

www.sttrinityassetmanagement.co.uk

Templeton LPA

Law of Property Act fixed charge receiver joined the Group in 2010.

www.templetonlpa.co.uk

Financial Services

LSL's Financial Services teams specialise in the brokerage of mortgage and protection products through a range of brands.

LSL's combined appointed representative network is the second largest in the UK[5] and across the various brands, the Group now has 635 appointed representative firms and 1,509 advisors. The total value of mortgage completions arranged in 2015 was £14.5bn up 25% from 2014.

Information included in this section of the Report is provided as at 31st December 2015.

Surveying Division – Surveying and Valuation Services

First Complete
Directly authorised by the FCA, operating a mortgage brokerage business and mortgage intermediary network. First Complete acts as principal for most of the estate agency businesses within LSL's Estate Agency Division, enabling their employed financial consultants to offer Financial Services to customers of the branch networks.

www.firstcomplete.co.uk

Pink Home Loans
Directly authorised by the FCA, operating a mortgage network, providing products and services to financial intermediaries since 1990, joining the LSL Group in 2010.

www.think-pink.co.uk

The Mortgage Alliance
The Mortgage Alliance (which also trades as TMA) is a trading style for a mortgage club which distributes mortgages and financial services products to directly authorised mortgage intermediaries.

www.themortgagealliance.com

Also, **Your Move** and **Reeds Rains** are appointed representatives of First Complete and provide financial services, through employed financial consultants based in their Estate Agency branches and call centres; **Embrace Mortgage Services** which is a trading name of LSLi does the same across the LSLi group of companies; and **Linear Financial Solutions**, an appointed representative of Pink Home Loans and Openwork, provides those products through a network of financial consultants based remotely and in the branches of estate agents. **First2Protect** is a specialist business arranging household insurance for customers of LSL's Estate Agency Division and third party introducers.

www.your-move.co.uk/mortgages
www.reedsrains.co.uk/mortgages
www.embracemortgageservices.co.uk
www.linearfs.com
www.first2protect.co.uk

e.surv Chartered Surveyors
e.surv Chartered Surveyors is one of the country's largest providers of residential valuation services, completing one valuation every four minutes and is one of the largest employers of surveyors in the UK[6].

In addition to mortgage valuation services, e.surv provides a range of products and services to a customer base that includes lenders, intermediaries, social housing entities, estate agents, and private homeowners. Key products include the RICS Homebuyer Report, the RICS Condition Report, and the RICS Building Survey, together with the Home Report in Scotland. e.surv also provides a number of corporate services, including underwriting and lending policy advice.

www.esurv.co.uk

Walker Fraser Steele
One of the longest established Chartered Surveyor brands in Scotland, Walker Fraser Steele was founded in Glasgow in 1884 and joined forces with e.surv Chartered Surveyors in 2013. The deal substantially expanded the geographic coverage of the business and under the Walker Fraser Steele brand, it now provides surveying and valuation services from locations across Scotland for both local and national clients.

www.walkerfrasersteele.co.uk

Notes:
[1] The LSL Estate Agency Network is made up of wholly owned and franchised branches. The market position is based on LSL's own calculations and assessment of branch numbers using publicly available data.
[2] Source: ResearchBods Brand Awareness Study August 2015
[3] Source: Hitwise December 2015
[4] Source: Google Analytics
[5] Source: Which Network – Network Performance Figures for 2015 showing the combined numbers for First Complete and Pink.
[6] The market position is based on LSL's own calculations and assessment using publicly available data.

For further information on all LSL brands please visit **www.lslps.co.uk**

Marsh & Parsons branch, Upper Tooting Road

Milestones

2011

Investment in Legal Marketing Services and LMS Direct Conveyancing.

Acquisition of Marsh & Parsons and entry into the prime Central London residential property market.

Launch of PropertyCare+.

2012

Commencement of renewed Barclays Bank plc contract for valuation services.

Acquisition of Davis Tate.

Acquisition of Lauristons.

LSL increased its shareholding in Zoopla which merged with DMGT property portal businesses during 2012.

2013

Acquisition of Lawlors Property Services.

Completed 5 lettings book acquisitions.

Acquisition of Walker Fraser Steele.

2014

Commencement of a new contract with Lloyds Banking Group for valuation services.

Commencement of renewed contract with Barclays Bank PLC for valuation services.

Zoopla IPO and special dividend of 16.5 pence per share paid to Shareholders.

Acquisition of Hawes & Co.

Completed 10 lettings book acquisitions.

2015

Acquisition of Thomas Morris.

Completed 30 lettings book acquisitions.

Chairman's Statement

Introduction

In my first year as Chairman, I am pleased to report the continued progress of the Group with record financial results posted in 2015. Group Underlying Operating Profit[1] of £42.9m (2014: £42.0m) was higher than LSL achieved in the property market peak of 2007. Group revenue grew by 4.6% to £300.6m (2014: £287.5m) and profit before tax grew by 20.8% to £38.6m (2014: £31.9m).

Lauristons branch, Kennington

Performance

After a slower first half in the Estate Agency Division, reflecting the overall market, we continued to execute on our strategy, delivering a strong second half. As a result, in 2015 we delivered full year growth of 12% in the counter-cyclical Lettings business, Financial Services revenue growth of 16% and revenue growth in Marsh & Parsons of 9% against a challenging prime Central London market.

The Surveying Division delivered an excellent performance with 3% revenue growth and double digit profit growth, as we saw a full year impact of 2014 mid-year contract renewals and wins, as well as the Q4 2014 operational performance and productivity project.

Simon Embley
Chairman

Dividend

As a result of the growth in underlying Group profitability and the Board's positive view of future prospects for the business, an increase in the final dividend of 3.6% to 8.6 pence per share (2014: 8.3 pence per share) will be proposed to Shareholders at the forthcoming AGM, increasing the total dividend for 2015 by 2.4% to 12.6 pence per share (2014: 12.3 pence per share). The proposed dividend payment is at the upper end of our previously stated policy of applying a dividend payout ratio of between 30% to 40% of Group Underlying Operating Profit after interest and tax and reflects our confidence in the future.

The ex dividend date for the final dividend is 24th March 2016 with a record date of 29th March 2016 and a payment date of 6th May 2016. Shareholders have the opportunity to elect to reinvest their cash dividend and purchase existing shares in LSL through a dividend reinvestment plan.

Board Update

On 1st January 2015, I was appointed as Chairman and Bill Shannon was appointed Deputy Chairman in addition to his role as Senior Independent Director. Further, during the year we appointed David Stewart and Kumsal Bayazit Besson to the Board as Non Executive Directors and members of the Nominations, Remuneration and Audit Committees in May and September respectively and Adam Castleton as Group Chief Financial Officer in November.

David Stewart has significant experience in strategy, operations, sales and marketing, finance and governance, particularly in the financial services sector. This includes his current appointments as a Non Executive Director on the boards of M&S Bank and Unum Limited.

Kumsal Bayazit Besson has significant experience in strategy, technology, operations and sales and marketing, particularly in the professional information

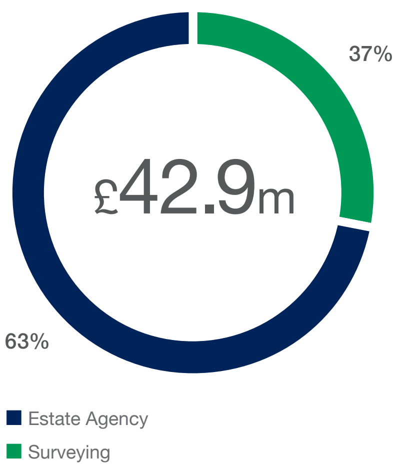
£300.6m
Group Revenue
Up 4.6% – 2014: £287.5m

£42.9m
Group Underlying Operating Profit
Up 2% – 2014: £42.0m

31.5p
Adjusted Basic Earnings Per Share
Up 3.3% – 2014: 30.5p

12.6p
Full Year Dividend Per Share
Up 2.4% – 2014: 12.3p

Full Year 2015 Operating Profit



solutions sector. This includes her current appointment as Regional President, Europe at Reed Exhibitions which is part of RELX Group plc.

Adam Castleton joined LSL from French Connection Group PLC. He previously held leadership roles at a number of market leading companies, including O2 UK, eBay and The Walt Disney Company. Adam has over 24 years' experience in finance, having started his career with Price Waterhouse where he qualified as a Chartered Accountant in 1989.

In December 2015, we announced that Mark Morris, who has been a Non Executive Director and member of the Nominations, Remuneration and Audit Committees since November 2006, will retire from the Board and its Committees and that David Stewart, will, subject to his election at the 2016 AGM, take on the role of Chairman of the Audit Committee with effect from the AGM, in addition to his existing appointments as a member of the Remuneration and Nominations Committees.

Corporate Governance

The Board remains committed to high levels of corporate governance and during 2015, LSL has complied in all respects with the UK Corporate Governance Code (September 2014 edition) save that due to my previous roles on the Board, I did not satisfy the independence requirement prior to my appointment as Chairman. Further details relating to my appointment are contained in the Corporate Governance Report.

In respect of 2015, the Board has again conducted an annual review of its effectiveness and that of its Committees, taking into account the balance of skills, experience, independence and knowledge of our businesses. Following this exercise, we concluded that the Board and its Committees are effective and are able to discharge their respective duties and responsibilities appropriately.

The Board has during the year also reviewed its composition, which at the date of this Report includes five independent Non Executive Directors (due to reduce to four independent Non Executive Directors at the 2016 AGM) and three Executive Directors and myself as Chairman. Further, the Board continues to recognise the benefits of diversity in the boardroom, including gender and racial diversity. The current Board composition includes two female Directors, Helen Buck and Kumsal Bayazit Besson, who are both independent Non Executive Directors.

Whilst we remain of the view that the setting of targets for the number of female directors on the Board is not necessary and that we will continue to appoint on merit, I will continue to ensure that our searches for new directors take into account diversity, including gender and race.

LSL remains committed to promoting diversity throughout the Group and in 2015 we continued to build on the diversity reviews conducted during the previous years. During 2015, we have commenced a range of employee training initiatives, including courses relating to gender bias training and assertiveness training. Further details of LSL's studies and its conclusions are set out in our Corporate Social Responsibility Report.

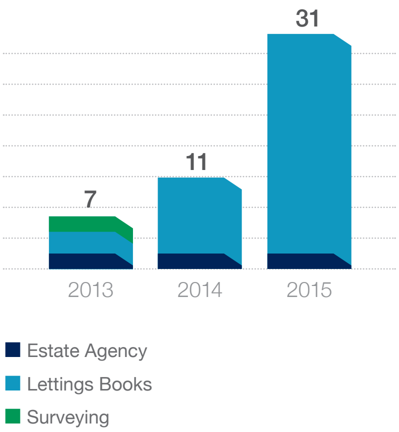
As Chairman, with the responsibility for leadership of the Board, I review its effectiveness on all aspects of its role and encourage feedback.

Our market position

LSL holds a market leading position in its core Estate Agency business comprising 12 Estate Agency brands, including Your Move, which is the largest UK single brand estate agent with 282 branches nationwide and has the UK's most visited estate agency website[2]. The businesses are organised to deliver integrated Residential Sales, Lettings and Financial Services from a single operating structure.

We continue to invest in our brands and in January 2016 we launched a national media campaign to further invest in our Your Move Estate Agency brand. This demonstrates our commitment to supporting and protecting our valuable brands and has started well. We also invested in 2015 to drive future growth by increasing branch headcount to support our successful Lettings and Financial Services businesses and also in our growing Land and New Homes businesses.

Number of Acquisitions



We operate in a highly competitive residential property market, which is characterised by on-going new entrants. We continue to develop and evolve our offering to ensure our competitiveness in this marketplace.

Ultimately the success of our business model has always been underpinned by our strong brands and excellence in delivery by our knowledgeable local colleagues. In 2016 we will continue to invest in technology to widen the digital offering to our customers whilst improving our internal efficiency at the same time.

We continue to selectively acquire businesses. To drive growth in the counter-cyclical Lettings business, we acquired 30 lettings books in 2015 (2014: 10), with internal disciplines in place to ensure successful integration into the Group. It is also pleasing to note the strong performance of Thomas Morris, a multi award winning seven branch estate agency which we acquired during the first quarter of 2015.

Post our 2015 year-end, we acquired a 65% interest in Group First Limited (GFL) in February 2016 which provides mortgage and protection brokerage services to the purchasers of new homes. This is a value enhancing opportunity which further strengthens LSL's relationships with its key housebuilder clients.

In Financial Services, the Group arranged total mortgage lending of £14.5bn (2014: £11.6bn), representing 6.6% of the overall market[3]. Measured by the number of appointed representatives, LSL's overall network is the second largest in the UK[4]. We continue to hold a leadership position in Surveying, maintaining strong relationships with many of the major lenders.

Ian Crabb, Group Chief Executive Officer and Simon Embley, Chairman

Our people

The number of Group employees at 31st December 2015 was 5,181 (2014: 5,222) and our success is ultimately dependent on the customer service provided by our staff in all parts of our business across the entire UK. I would like to thank all of our staff for their continued hard work and commitment which they have demonstrated throughout 2015.

Current trading and outlook

We have started the year positively across the Group.

In the Estate Agency Division, trading is in line with expectations and there are good activity levels with quality buyers and good availability of mortgages. Whilst there remains a shortage of stock, our sales conversion remains strong and we are maintaining our market share. The January 2016 launch of the Your Move national media campaign has started well.

In our Surveying Division, trading is in line with expectations and the technology refresh is progressing well.

The forthcoming year is expected to see a flat housing market in terms of transactions, with continuing house price inflation outside prime Central London.

Underpinned by a series of strategic initiatives, the business is well placed to deliver a solid performance in 2016. We are positive regarding the outlook for 2016, committed to driving profitable organic growth across the business, and will continue to evaluate selective acquisitions.

The Group has a robust balance sheet with relatively low levels of gearing and is very cash generative at an operational level. The business is therefore well placed to capitalise on the market conditions to increase Shareholder value.

Simon Embley
Chairman
3rd March 2016

Notes:

[1] Underlying Operating Profit is before exceptional gains and exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments.

[2] Source: Hitwise December 2015.

[3] Source: Council of Mortgage Lenders, Press Release 21st January 2016.

[4] Source: Which Network? "Network Performance Figures For The Whole of 2015".

Group Chief Executive's Review

2015 Overview

I am pleased to report that after the slower first half we continued to execute our strategy and worked tirelessly across the whole business to deliver a strong second half performance and what was ultimately a full year operating profit result higher than the property market peak of 2007.

We delivered on our financial commitments made at the time of the 2015 interim results announced in August 2015 and I would like to take this opportunity to thank all my colleagues across our business for delivering a record breaking result.

Group revenue increased by 4.6% to £300.6m (2014: £287.5m) with strong second half growth of 8.7%. Group Underlying Operating Profit increased by 2% to a record £42.9m (2014: £42.0m), with double digit profit growth in the second half in both the Estate Agency and Surveying Divisions.

Reeds Rains branch, Heaton Moor

The Market in 2015

The UK residential property services market in 2015 was a story of two halves.

As we reported at the 2015 interim results, the first quarter of 2015 faced very strong comparatives relative to the first quarter of 2014, which was a period characterised by strong growth ahead of the implementation of the Mortgage Market Review. The second quarter of 2015 was impacted by uncertainty around the General Election. As a result, in the first half of 2015 house purchase approvals were down by 3.3% year-on-year[1].

In the second half of 2015, there was a modest recovery in the market following the General Election and the comparatives were against a slowing market in 2014. Over the full year therefore house purchase approvals increased by 4.7%.

Total Mortgage Approvals[1] increased by 8.4% in 2015. This reflected a flat first half with accelerating market sentiment and volume growth in the second half in both approvals for house purchases which are typically three months before completion and also in remortgage approvals.

The prime Central London market in 2015 was impacted by a range of factors including the December 2014 Stamp Duty changes. There was little market recovery in prime Central London post the General Election.

Average house prices[2] in England and Wales grew 6.6% to £292,000 annually as stock shortages continued to have an impact. Excluding London and the South East, the average increase was 4.7%.

Residential property values in Greater London increased by 5.6%. Prime Central London (5 prime boroughs) fell by 8.7% impacted by a range of factors including the impact of the December 2014 Stamp Duty changes. Outside the top five prime Central London boroughs, London experienced an 11% increase in year-on-year house prices.

The proportion of mortgage lending in the market placed through intermediaries continued to increase during the year[3].

Following market declines in the repossessions market in the past few years, market volumes again declined in 2015, reducing by 51% to 10,200[4] total repossessions as interest rates remained low.

Ian Crabb
Group Chief Executive Officer

Strategy

We remain committed to the strategy we communicated in March 2015. The key components of our strategy are:

Estate Agency

- Drive operating profit per branch to between £80,000 and £100,000 in the medium term
- Expand the number of Marsh & Parsons branches to a total of 36 by 2019, particularly outside prime Central London

- Grow recurring and counter-cyclical income streams
- Selective acquisitions of both Estate Agency businesses and Lettings books

Surveying
- Optimise contract performance and revenue generation from B2B customers
- Achieve further improvement in efficiency and capacity utilisation
- Use technology to drive further improvements in profitability

LSL performance in 2015

Estate Agency Division

Total Estate Agency income of £236.5m (2014: £225.3m) increased by 5%. This increase resulted from the consistent execution of our strategy in 2015.

We continue to adapt our approach to maintain competitiveness. We launched the Your Move national media campaign in January 2016, moving the focus of our advertising spend away from more traditional local media. The campaign "it pays to be with Your Move", underlines the customer value from using an estate agent with Your Move's reach and size.

In 2016, we will continue to focus on further improving the digital communication with our customers and to improve the customer experience.

Residential Sales exchange income

Residential Sales exchange income grew 1% during the year. Whilst in the first half income fell by 5% reflecting the market conditions, the second half performance was strong with 7% growth, reflecting market stabilisation post the General Election and the investments we made in Estate Agency in the first half. Total exchange units were broadly flat in 2015 with an increase in fees per unit largely on the back of house price inflation.

Recurring Lettings income

We remain committed to our strategy of increasing recurring Lettings income. In 2015 we delivered growth in Lettings income of 12%. Lettings Income increased as a proportion of the Estate Agency business and represented 28% of total Estate Agency Division income in 2015 (2014: 26%).

We delivered organic Lettings growth of 5% and in addition, in line with our strategy substantially increased the rate of Lettings book acquisitions, acquiring 30 Lettings books in 2015 for a total consideration of £9.6m[5]. This is a significant increase against 2014 when we acquired 10 Lettings books for a total consideration of £1.8m.

We have maintained consistent investment criteria for Lettings book acquisitions throughout the year and we have not changed our investment criteria as we have increased the rate of investment. The Lettings books have been successfully integrated into our networks.

Financial Services

Total Financial Services income grew strongly again with 16% year-on-year growth in 2015. We have also delivered over 16% compound growth since 2011 as we have rolled out our model across the Estate Agency business and delivered growth from our intermediary networks.

Post our 2015 year-end, we acquired a 65% interest in GFL in February 2016, which provides mortgage and protection brokerage services to the purchasers of new homes through its subsidiaries, Mortgages First Limited and Insurance First Brokers Limited. This investment supports LSL's strategy to grow long-term profitability in the provision of residential property services in the UK, by identifying value enhancing opportunities. Further, the investment strengthens LSL's relationships with its key housebuilder clients.

Selective Estate Agency acquisitions

We remain committed to our strategy of evaluating selective acquisition of Estate Agency businesses.

In February 2015 we acquired Thomas Morris, a multi award-winning Estate Agency and Lettings business with seven branches in Cambridgeshire, Bedfordshire and Hertfordshire. We are pleased with the performance of the business in 2015 and also note that since acquisition, Thomas Morris has increased its Financial Services income, an example of how we can add value to our acquisitions.

Marsh & Parsons

Given the overall challenging prime Central London market, I am pleased to report that Marsh & Parsons' revenue grew 9% in 2015 to £35.3m (2014: £32.5m) and profit increased by 6% to £6.9m (2014: £6.5m).

This growth was a result of strong Lettings performance of 10%, growth in Land and New Homes and resilience in Residential Sales, with good results from the new offices opened previously in the outer prime Central London locations.

We continued with our branch expansion strategy in 2015, opening two branches during the year in the outer prime Central London locations of Shoreditch and Queens Park. We have continued with our strategy in 2016 and since the year-end have opened a branch in Tooting. We are pleased with the performance of these new branches.

Our ambition remains to expand to 36 branches by 2019. Outer prime Central London has not been as negatively impacted as prime Central London and Marsh & Parsons is looking to expand its new office footprint in outer prime Central London locations.

Estate Agency profit per branch (Your Move, Reeds Rains and LSLi)

LSL successfully increased operating profit per branch from £4,600 in 2011 to £45,600 in 2014. Our medium term strategy is to drive operating profit per owned branch to between £80,000 and £100,000 on the expectation of longer term stability in the UK residential property sector. Our Lettings growth and Financial Services growth across the network continues to underpin this strategy.

We invested in 2015 to drive future growth by increasing branch headcount to support our successful Lettings and Financial Services businesses and also in our growing Land and New Homes business.

We increased our headcount in these growing businesses by over 100 colleagues during the year. This investment will support further growth and has resulted in a short-term fall in branch profitability by 7% in 2015.

Estate Agency operating margin was 13.2% (2014: 15%) reflecting these investments in the business and also the market decline in repossessions, impacting LSL's Asset Management business.

Surveying Division

During 2015 we continued to focus on optimising the profitability of our Surveying business.

The 2014 contract renewals and wins as well as the project undertaken in Q4 2014 to optimise operational performance and productivity have delivered full year benefits in 2015. With further optimisation of capacity management in 2015, profit margins have therefore improved in the year to 28.3% (2014: 21.4%). A technology refresh is also in progress to deliver further enhancements.

Income per job increased by 17% to £196 (2014: £167) and we performed 327,267 total jobs in 2015 (2014: 371,717) as we optimised the mix of our business. We will further support our graduate programme which continues to be successful.

Our customers

Our continued focus on providing the best service to our customers has been recognised in 2015 with numerous industry awards including:

- **e.surv**: What Mortgage? Awards 2015; Best Survey Provider-Winner
- **e.surv**: Equity Release Awards 2015; Best Valuer-Winner
- **First Complete**: Money Marketing Awards 2015; Best Mortgage Network-Winner
- **Pink Home Loans**: Financial Adviser Service Awards 2015; 5 star award
- **Linear Financial Solutions**: Mortgage Strategy Awards 2015; Best Broker for General Insurance-Winner
- **Marsh & Parsons**: Estate Agency of the Year Awards 2015, sponsored by The Times and Sunday Times; Best Marketing-Gold award, Best Medium Lettings Agency, London-Gold Award. The Negotiator Awards 2015; London Agency of the Year-Gold Award

Balance Sheet

The Group has a strong balance sheet with closing Net Bank Debt at 31st December 2015 of £39.9m (2014: £34.7m) reflecting the acquisitions made during the year and a gearing level at 0.83 times adjusted EBITDA (2014: 0.74 times)[6]. The Group has a committed revolving credit facility until August 2017.

At 31st December 2015, we held a 2.7% shareholding in Zoopla, valued at £27.1m.

In December 2014 we announced the need to further increase our PI Costs provision due to the historic market issues relating to the 2004 to 2008 high risk lending period and an additional reserve of £24.6m was provided and included as an exceptional item in 2014. In 2015 we continued to make positive progress in addressing these historic claims and the reduction in the rate of notifications and claims from the high risk lending period has been in line with our expectations during the year, and those assumed in setting the provision.

Outlook

We have started 2016 in line with our expectations across the Group and are well placed to deliver a solid performance during the year. We continue to consistently execute on our strategy and are well placed to deliver increased Shareholder value.

I look forward to working with all my colleagues to deliver another successful year in 2016.

Ian Crabb
Group Chief Executive Officer
3rd March 2016

Notes:

1 Source: Bank of England for "House Purchase Approvals" and "Total Mortgage Approvals" 2015.

2 Source: December 2015 LSL Property Services/ ACADATA HPI.

3 CML, new mortgages sold by intermediaries

4 Source: Council of Mortgage Lenders arrears and repossessions data relating to properties taken into possession by first-charge mortgage lenders for 2015.

5 Total consideration of up to £9.6m when taking into account potential contingent consideration.

6 Adjusted EBITDA is Group Underlying Profit as previously defined plus depreciation on property plant and equipment.

Strategic Report

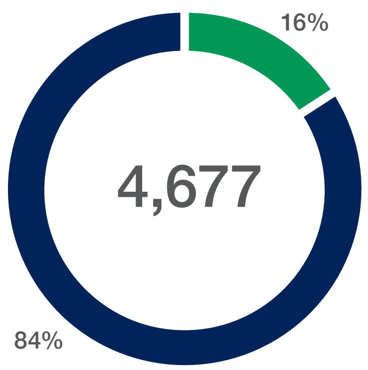
In this section

Marsh & Parsons branch, Queen's Park

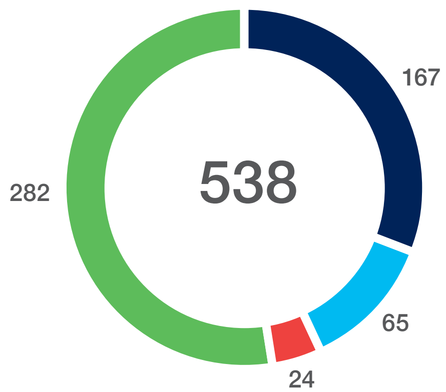
Strategy

LSL is committed to delivering long-term shareholder value by building market leading positions in the residential property services market through organic growth, selective acquisitions and the delivery of high quality service and appropriate outcomes for customers

Full Year 2015 Average FTE



Estate Agency Branches



LSL remain committed to the strategy to grow long-term profitability in the provision of residential property services in the UK, by identifying value enhancing opportunities. The key components of LSL's strategy are:

Estate Agency and Related Services:
- Drive operating profit per branch to between £80,000 and £100,000 in the medium term
- Expand the number of Marsh & Parsons branches to a total of 36 by 2019, particularly outside prime Central London
- Grow recurring and counter-cyclical income streams
- Selective acquisitions of both Estate Agency businesses and Lettings books

Surveying and Valuation Service:
- Optimise contract performance and revenue generation from business to business customers
- Achieve further improvement in efficiency and capacity utilisation
- Use technology to drive further improvements in profitability

Estate Agency and Related Services Residential Sales and Lettings
- Drive operating profit per branch.
- Provide a service proposition that recognises customer needs and maximises income across the value chain.
- Drive organic growth through increasing Residential Sales transaction volumes and investing further in Lettings services.
- Grow LSL's share of the Central London Residential Sales and Lettings markets by supporting Marsh & Parsons' growth plans.
- Grow recurring and counter-cyclical income streams.
- Selective acquisitions of residential sales business and lettings books.

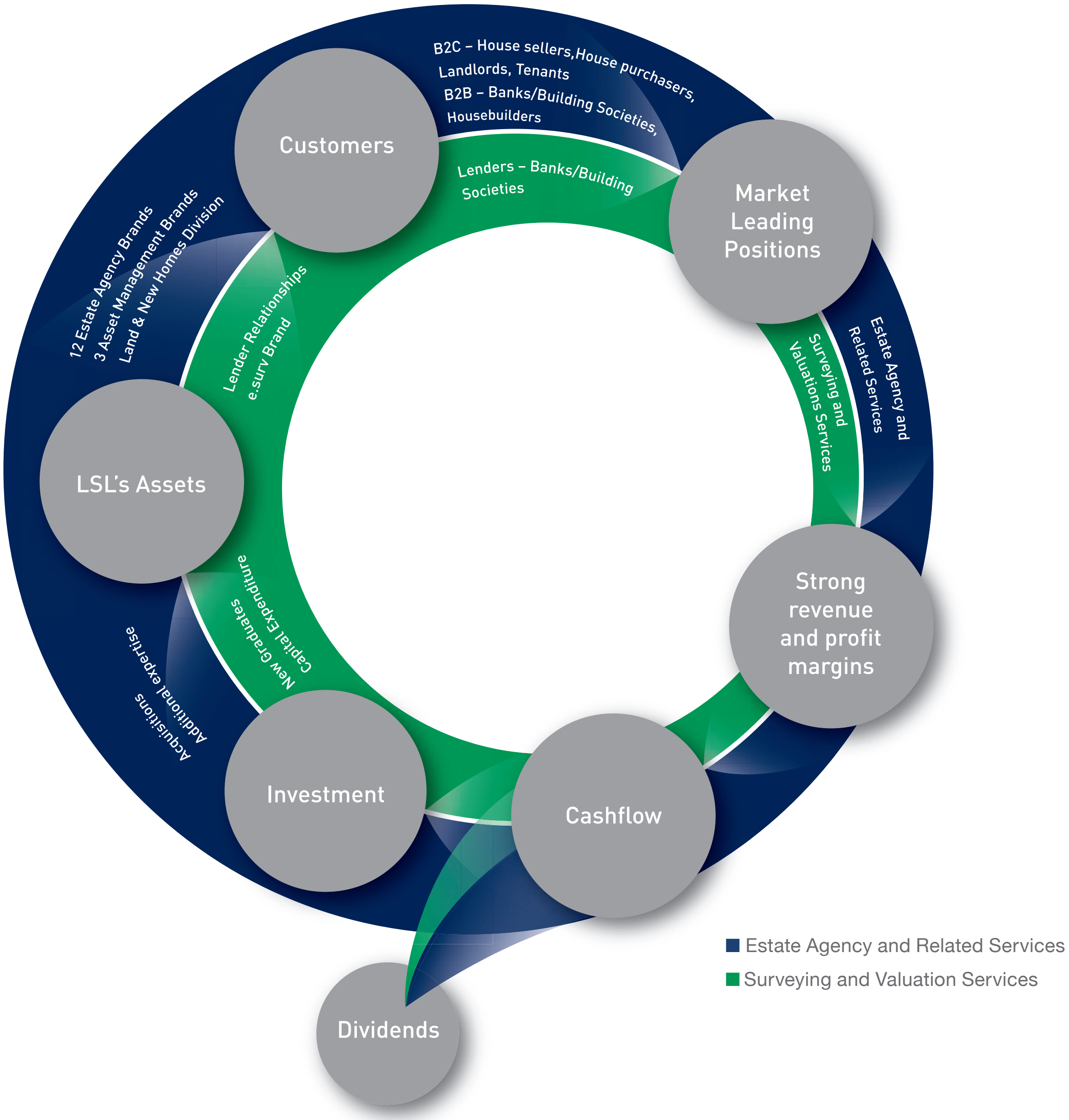
Asset Management
- Grow market share by providing innovative solutions and strong service delivery to a broader selection of clients.

Mortgage and Protection Services
- Build broker networks for the provision of mortgage and protection products and realise synergies and cost savings to make the networks more efficient.
- Use the networks to strengthen relationships with key lender clients and to provide high quality service and good financial outcomes for consumers.

Surveying and Valuation Services
- Optimise contract performance and revenue generation from business to business customers.
- Achieve further improvement in efficiency and capacity utilisation.
- Drive market share through continued development of excellent service delivery and strong relationships with lenders in order to remain their partner of choice.
- Increase capacity through the training of new graduates as well as recruitment of qualified surveyors.
- Continue to leverage LSL's size of operation and continue to build the Group's technology solutions to drive operational efficiencies.

Acquisitions
- The Group will continue to consider selective value enhancing acquisitions across the residential property services value chain in order to enhance market positions and to grow scale.
- There will continue to be a particular focus on Estate Agency acquisitions to build market share in Residential Sales and Lettings services.

Business Model



LSL's business model is how LSL puts its strategy into action. The execution of the strategy results in market leading positions in the Group's business segments which produces a virtuous circle of strong revenues, profitability and cash flow which allows significant reinvestment in the business in order to further enhance LSL's market positions while also paying out a significant proportion of earnings as a dividend to Shareholders.

- LSL has **market leading positions** in residential property surveying, mortgage valuations, asset management, residential sales and lettings, which are highly fragmented markets.
- LSL serves **retail customers** in its Estate Agency businesses, such as house sellers and buyers, landlords and tenants.
- LSL serves **business customers** in its Surveying and Asset Management businesses, such as Banks and Building societies, and benefits from long-term relationships and contracts.
- The growth and reputation of LSL is dependent on providing **exceptional service and appropriate outcomes for customers**.
- The business model has demonstrated **resilience** to changes in the residential property market due to its market positions in Lettings and Asset Management.
- The model benefits from **scale advantages** which include superior productivity in the Surveying business as a result of shortened drive times and the ability to focus LSL's agency branches on customer service by building hubs and call centres to provide instructions to the branches and to handle certain administrative tasks centrally.
- The business has low capital requirements and is **highly cash generative**.
- LSL allocates the strong cash generation between paying **dividends** to Shareholders, **reinvesting** in the business to drive future organic growth and in making selective, value adding **acquisitions**.

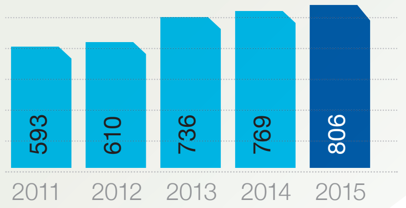
Markets

LSL operates across the residential property services value chain

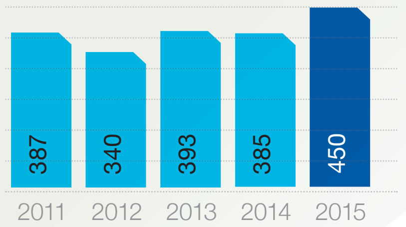
Market Transaction Data

In 2015 Total Mortgage Approvals increased by 8.4% to 1.388m (2014: 1.280m)[1] including House Purchase Approvals of 806,000 (2014: 769,000)[1]. Remortgage volumes of 450,000 were up by 16.7% compared to 2014 (2014: 385,000)[1]. Total mortgage approvals were ahead at 1.388m (2014: 1.280m)[1]. These reflect a flat first half with accelerating market sentiment and volume growth in the second half in both approvals for house purchases which are typically three months before completion and also in remortgage approvals.

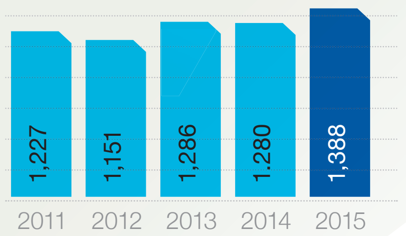
Total Mortgage Approvals for House Purchase[1]
'000s



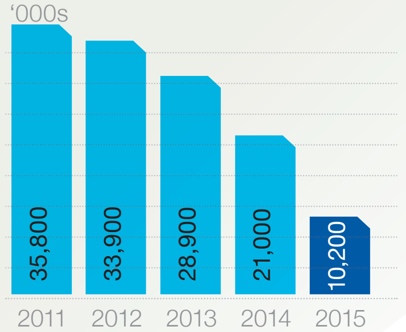
Remortgage Volumes[1]
'000s



Total Mortgage Approvals[1]
'000s



Repossesion Volumes[2]
'000s



Full Year 2015 Revenue

Notes:
[1] Source: Bank of England for "House Purchase Approvals", "Remortgage approvals" and "Total Mortgage Approvals" 2014

[2] Source: Council of Mortgage Lenders arrears and repossessions data relating properties taken into possession by first-charge mortgage lenders for 2014.

LSL's Markets

LSL's market can be categorised into two principal segments

- Estate Agency and Related Services; and
- Surveying and Valuation Services.

Estate Agency and Related Services

Estate Agency and Related Services

78.7%

of Group revenue in 2015 (2014: 78.4%)

The Estate Agency and Related Services segment (the Estate Agency Division) includes Residential Sales and Lettings and the related markets of Asset Management (including repossessions asset management services for lenders and property management for multi-property landlords) and Financial Services – predominantly mortgage and protection brokerage with revenue earned directly by the Estate Agency brands and through the operation of intermediary networks.

Residential Sales and Lettings

52.7%

of Group revenue in 2015 (2014: 52.4%)

Estate Agency services for residential property sales.

Comprehensive Lettings service for residential landlords and tenants.

The UK residential property services market in 2015 was a story of two halves. The first quarter of 2015 faced very strong comparatives relative to the first quarter of 2014, which was a period characterised by strong growth ahead of the implementation of the Mortgage Market Review. The second quarter of 2015 was impacted by uncertainty around the General Election. As a result, in the first half of 2015 house purchase approvals were down by 3.3% year-on-year[1].

In the second half of 2015, there was a modest recovery in the market following the General Election and the comparatives were against a slowing market in 2014. Over the full year therefore house purchase approvals increased by 4.7%.

Total Mortgage Approvals[1] increased by 8.4% in 2015. This reflected a flat first half with accelerating market sentiment and volume growth in the second half in both approvals for house purchases which are typically three months before completion and also in remortgage approvals.

The prime Central London market in 2015 was impacted by a range of factors including the December 2014 Stamp Duty changes. There was little market recovery in prime Central London post the General Election.

Average house prices[2] in England and Wales grew 6.6% to £292,000 annually as stock shortages continued to have an impact. Excluding London and the South East, the average increase was 4.7%.

Residential property values in Greater London increased by 5.6%. Prime Central London (5 prime boroughs) fell by 8.7% impacted by a range of factors including the impact of the December 2014 Stamp Duty changes. Outside the top five prime Central London boroughs, London experienced an 11% increase in year-on-year house prices.

The proportion of mortgage lending in the market placed through intermediaries continued to increase during the year.

Following market declines in the repossessions market in the past few years, market volumes again declined in 2015, reducing by 51% to 10,200[3] total repossessions as interest rates remained low.

Asset Management

2.6%

of Group revenue in 2015 (2014: 4.1%)

Repossessions asset management services for lenders. Property management services for multi-property landlords.

Repossession volumes fell by 51% to 10,200 in 2015 (2014: 21,000)[2] in a shrinking market.

Mortgage and Protection

16.8%

of Group revenue in 2015 (2014: 15.2%)

Broking services for mortgages.

Broking services for protection products.

Other Income

6.6%

of Group revenue in 2015 (2014: 6.7%)

This includes franchising income, conveyancing services, EPCs, Home Reports, utilities and other products and services to clients of the Estate Agency branch network.

Surveying and Valuation Services

Surveying and Valuation Services

21.3%

of Group revenue in 2015 (2014: 21.6%)

The Surveying and Valuation Services segment (the Surveying Division) includes valuation services for lenders for residential mortgage purposes, surveying services for private house purchasers, and the provision of Home Reports and professional services in Scotland.

Notes:

1 Source: Bank of England for "House Purchase Approvals" and "Total Mortgage Approvals" 2015

2 Source: December 2015 LSL Property Services/ ACADATA HPI

3 Source: Council of Mortgage Lenders arrears and repossessions data relating to properties taken into possession by first-charge mortgage lenders for 2015

Business Review

Estate Agency Division

+1%
Exchange Income
2014: +15%

+12%
Lettings Income
2014: +12%

+16%
Financial Services Income
2014: +22%

+4%
Fee per exchange unit
2014: +3%

13.2%
Operating Margin
2014: 15%

Financial	2015 £m	2014 £m	% change
Residential Sales exchange income	**92.9**	92.1	1
Lettings income	**65.4**	58.5	12
Asset Management income	**7.8**	11.7	(34)
Financial Services income	**50.5**	43.7	16
Other income[1]	**19.9**	19.3	3
Total income	**236.5**	225.3	5
Operating expenditure	**(205.2)**	(191.4)	7
Operating profit[2]	**31.3**	33.9	(8)

KPIs	2015	2014	% change
Exchange units	**29,311**	29,704	(1)
Exchange units[3]	**28,251**	29,111	(3)
Operating margin (%)	**13.2**	15	
Fees per unit (£)	**3,170**	3,101	2
Fee per unit[3] (£)	**3,087**	2,968	4
Mortgage approvals for house purchases ('000s)[4]	806	769	5
Total Mortgage approvals ('000s)[4]	1,388	1,280	8
UK Housing Transactions ('000s)[5]	1,231	1,219	1
Repossessions[6]	10,200	21,000	(51)

Notes:

[1] 'Other income' includes franchising income, conveyancing services, EPCs, Home Reports, utilities and other products and services to clients of the branch network.
[2] Operating profit is before exceptional items, contingent consideration, amortisation of intangible assets and share-based payments.
[3] Exchange units and fee per exchange are on a like-for-like basis (excluding branch openings and closures).
[4] Source: Bank of England, "Mortgage approvals for house purchases" and "Total mortgage approvals" 2015
[5] Source: HMRC Stats, "Monthly property transactions completed in the UK with value of £40,000 or above".
[6] Source: Council of Mortgage Lenders arrears and repossessions data relating to properties taken into possession by first-charge mortgage lenders for 2015.
[7] Source: Council of Mortgage Lenders, Press Release 21st January 2016.

Estate Agency Performance

Estate Agency Division Performance

Year-on-year income growth in the Estate Agency Division was 5%. All key income streams other than the counter-cyclical Asset Management business showed positive growth.

Residential Sales exchange income grew 1% during the year. Whilst in the first half income fell by 5% reflecting the market, the second half performance was stronger with 7% growth, reflecting the market stabilisation post General Election and the investments in the Estate Agency business made by LSL in the first half. Exchange units were broadly flat in 2015, with an increase in fees per unit, largely on the back of house price inflation.

Lettings income

Lettings income grew consistently throughout the year, as we put more dedicated Lettings staff into Estate Agency branches. Organic Lettings growth for the year was 5%. Combined with the Lettings acquisitions, overall growth was strong, at 12% for the full year. This followed growth of 12% in 2014 and reflects our continued focus on this recurring revenue stream.

Financial Services income

Total Financial Services Income delivered through the Estate Agency Division's branches, the intermediary networks of First Complete and Pink Home Loans and Linear Financial Solutions grew strongly again with 16% year-on-year growth in 2015. We have also achieved over 16% compound growth since 2011 as we have rolled out the model across the Estate Agency business.

In February 2016, the Group acquired a 65% interest in GFL which provides mortgage and protection brokerage services to the purchasers of new homes through its subsidiaries, Mortgages First Limited and Insurance First Brokers Limited.

The investment supports LSL's strategy to grow long-term profitability in the provision of residential property services in the UK, by identifying value enhancing opportunities. Further, the investment strengthens LSL's relationships with its key housebuilder clients.

In total the Group arranged mortgage lending completions of £14.5bn during 2015 (2014: £11.6bn), with an estimated market share of 6.6% giving the Group an important position as a mortgage distributor for lender clients[7].

Other income

Other income grew by 3% year-on-year mainly due to improved conveyancing and Land and New Homes income.

Marsh & Parsons

Marsh & Parsons delivered a strong performance in a challenging prime Central London market which was impacted by a number of factors including the 2014 Stamp Duty changes. The increase in the number of Marsh & Parsons branches outside prime Central London, strong exposure to the mid-market, strong recurring Lettings income which was up 10% and a growing Land and New Homes development business, all contributed to the delivery of 9% income growth and a 6% improvement in profit.

Asset Management

Asset Management delivered a robust performance in a shrinking market with revenues lower by 34% compared to the 51% market fall in repossessions to 10,200[6] in 2015. With a strong market share, the Asset Management business is well positioned to capitalise on any future increase in repossession volumes. Asset Management is developing its corporate property management service offering to further enhance counter-cyclical revenues in the Group.

The Estate Agency Division operating margin

The Estate Agency Division operating margin was 13.2% in 2015 (2014: 15%) which resulted from lower Asset Management profits, new Estate Agency branches opened, and headcount investment in Financial Services, Lettings and Land and New Homes.

2016 Strategy

During 2015, the Group has delivered on its strategy, continuing to make selective acquisitions and has added to the Estate Agency Division in the South East through the acquisitions of Thomas Morris and 30 lettings books.

LSL will continue to target the selective acquisition of Estate Agency and Lettings books and will focus on driving organic growth in Residential Sales, Lettings and Financial Services as well as rolling out new branches in Marsh & Parsons.

Regulation – Financial Services

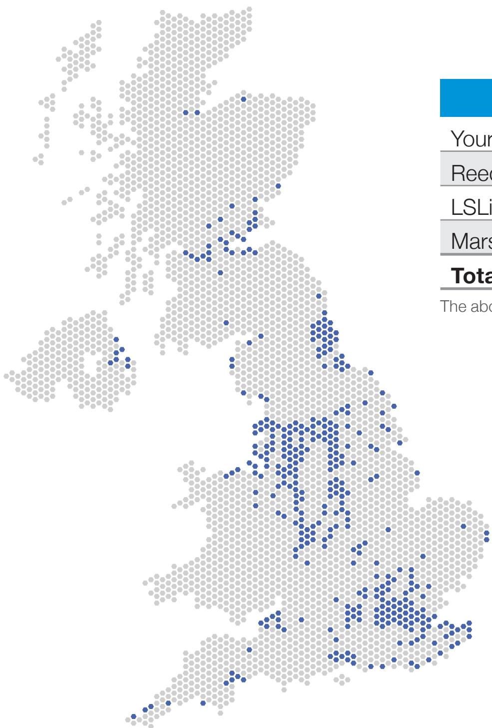
First Complete and Pink Home Loans (the trading name of Advance Mortgage Funding) are both directly authorised by the FCA in relation to the sale of mortgage, pure protection and general insurance products. Your Move, Reeds Rains, First2Protect and Embrace Mortgage Services along with the LSLi subsidiaries are all appointed representatives of First Complete, while Linear Financial Solutions is an appointed representative of Advance Mortgage Funding for mortgage and insurance business and also an appointed representative of Openwork for investment business.

Regulation – Residential Sales and Lettings

The Estate Agency Division's branches adhere to the Codes of Practice issued by industry professional and regulatory bodies, The Property Ombudsman (TPO) and/or the Association of Residential Lettings Agents (ARLA). Membership of these bodies is in addition to observing compliance with relevant legislation, such as the Consumer Protection Regulations, the Consumer Rights Act, guidance material published by relevant regulators, including the Competition and Markets Authority (CMA) (and its predecessor the Office of Fair Trading (OFT)), the National Trading Standards Agency/Trading Standards Institute (TSI), HMRC and codes published by other relevant bodies, including the Advertising Standards Authority (ASA). LSL from time to time also enters into direct dialogue with the regulators and consumer groups, such as Which?. During 2015, LSL on behalf of all its Estate Agency businesses entered into a primary authority agreement with York Trading Standards Office.

Branch numbers

Breakdown of LSL's Estate Agency branches as at 31st December 2015.



	Owned	Franchised	Totals
Your Move	215	67	282
Reeds Rains	124	43	167
LSLi	61	4	65
Marsh & Parsons	24	0	24
Totals	**424**	**114**	**538**

The above branch numbers include two virtual branches

Poster from Marsh & Parsons' award winning marketing campaign

Business Review
Surveying Division

+3%
Revenue
2014: +3%

+17%
Income per job
2014: +9%

28.3%
Profit Margin
2014: 21.4%

347
Number of Qualified Surveyors
2014: 361

Financial	**2015 £m**	2014 £m	% change
Revenue	**64.1**	62.2	3
Operating expenditure	**(46.0)**	(48.9)	(6)
Operating profit[1]	**18.1**	13.3	36
KPIs	**2015**	2014	% change
Profit margin (%)	**28.3%**	21.4%	
Jobs Performed ('000s)	**327**	372	(12)
Revenue from private surveys (£m)	**2.4**	4.0	(40)
Income per job (£)	**196**	167	17
PI Costs provision (Balance Sheet) at 31st December (£)	**29.7**	38.7	
Number of qualified surveyors at 31st December (FTE)[2]	**347**	361	(4)
Total Mortgage approvals ('000s)[3]	1,388	1,280	8

Notes:
[1] Operating profit is before exceptional items, contingent consideration, amortisation of intangible assets and share-based payments.
[2] Full Time Equivalent (FTE)
[3] Source: Bank of England, "Mortgage approvals for house purchases" and "Total mortgage approvals" 2015.

Surveying Division Performance

Total mortgage approvals[2] increased in the year by 8.4% to 1.388m (2014: 1.280m) with a flat first half followed by an increase in the second half. This reflected the strong prior year growth in H1 pre the Mortgage Market Review launch and consumer confidence post the General Election in 2015.

Surveying turnover was £64.1m (2014: £62.2m), an increase of 3% on last year and the total number of jobs performed was 327,267 (2014: 371,717) reflecting management of the mix of jobs. Double digit profit growth was strongly influenced by the full year impact of the 2014 mid-year contract renewals and wins and the Q4 2014 operational performance and productivity project.

We also continued to focus on optimising capacity management in 2015, driving an increase in income per job to £196, an improvement of 17% year-on-year. As a result we delivered an increase in Operating profit to £18.1m (2014: £13.3m) with an enhancement of profit margin to 28.3% (2014: 21.4%).

The total number of qualified surveyors at 31st December 2015 was 347, a reduction of 4% year-on-year. LSL's on-going graduate programme continues to be successful and assists in alleviating the impact of skill constraints in the market. In 2016 LSL will continue to focus on improving our efficiency through optimising capacity management supported by use of better technology.

At 31st December 2015 the total provision for PI Costs was £29.7m. In 2015 LSL continued to make positive progress in addressing these historic claims and the reduction in the rate of notifications and claims from the high risk lending period has been in line with our expectations during the year, and those assumed in setting the provision.

Financial Review

The key drivers of the financial performance of LSL in 2015 are summarised below:

£300.6m
Group Revenue
Up 4.6% – 2014: £287.5m

£42.9m
Group Underlying Operating Profit
Up 2% – 2014: £42m

£36.5m
Cash generated from operations
Up 42% – 2014: £25.7m

Income statement

Revenue
Revenue increased by 4.6% to £300.6m in the year ended 31st December 2015 (2014: £287.5m).

Operating Expenses
Operating expenses increased by 4.6% to £260.7m (2014: £249.3m). The increase was in the Estate Agency Division and was mainly as a result of acquisitions (e.g. Thomas Morris), new Marsh & Parsons branches and an investment in headcount to support growth in Lettings, Financial Services and Land and New Homes.

The average number of full time equivalent employees during the year was 4,677 (2014: 4,760).

Underlying Operating Profit
Group Underlying Operating Profit (before exceptional gains and exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments) increased by 2% to £42.9m (2014: £42.0m) with the Underlying Operating Margin of 14.3% (2014: 14.6%). On a statutory basis, the Group operating profit increased by 22.2% to £41.4m (2014: £33.9m).

Exceptional Items
Total net exceptional costs in 2015 were £0.3m (2014: £6.2m net exceptional costs). Exceptional costs in 2015 comprised the closure of an administration centre and the subsequent restructuring costs incurred which included redundancy costs.

In 2014, exceptional costs comprised of PI Costs of £24.6m, acquisition related costs of £0.3m and restructuring, redundancy and other associated branch closure costs including onerous lease provisions of £1.1m. These exceptional costs were partly offset by the gain on the sale of part of LSL's investment in Zoopla on its IPO totalling £19.8m.

Provision for PI claims and notifications
In December 2014, LSL announced the need to further increase the PI Costs provision due to the historic market issues relating to the 2004 to 2008 high risk lending period and an additional reserve of £24.6m was provided and included as an exceptional item in 2014.

At 31st December 2015, the total provision for PI Costs was £29.7m. In 2015 the Group continued to make positive progress in addressing these historic claims and the reduction in the rate of notifications and claims from the high risk lending period has been in line with LSL's expectations during the year, and those assumed in setting the provision.

Contingent consideration
Certain contingent consideration arrangements have been accounted for as remuneration as the arrangements potentially involve the vendors forfeiting amounts otherwise due if continued services are not provided. These amounts are shown separately on the face of the Income Statement. Contingent consideration amounted to a credit of £1.5m in 2015 (2014: £0.4m credit).

Net Financial Costs
Net financial costs (excluding exceptional finance credit) amounted to £2.8m (2014: £2.2m). The finance costs related principally to interest and fees on the revolving credit facility. Additional costs relate to the unwinding of discounts on provisions and contingent consideration and interest on loan notes.

Taxation
The UK standard corporation tax rate has reduced from 21% as at 1st January 2015 to 20% from 1st April 2015 with further reductions to 19% from 1st April 2017 and 18`% from 1st April 2020. The effective rate of tax for the year was 21.1% (2014: 21.2%). The effective tax rate for 2015 was decreased as a result of reducing the rate at which deferred tax is provided resulting from the reduction in the headline rate of corporation tax. Deferred tax charged directly to other comprehensive income is £0.5m (2014: credit of £2.7m); this is comprised of a credit of £0.05m and a charge of £1.0m and relates to the disposal and revaluation of financial assets (see Note 16 to the Financial Statements). There is also a credit arising as a result of the impact of rate change on deferred tax of £0.5m. Income tax credited directly to the share based payment reserve is £nil (2014: £nil).

In July 2015, the UK Government announced proposals to reduce the main rate of corporation tax to 19% from 1st April 2017, and further reduced to 18%, effective from 1st April 2020. As of 31st December 2015 reductions to the main rate of corporation tax to 18% had been enacted. Accordingly, this is the rate at which deferred tax has been provided.

Adjusted Basic Earnings per Share

The Basic Earnings per Share was 29.7 pence (2014: 24.5 pence). The Adjusted Basic Earnings per Share (as calculated in Note 10 to the Financial Statements) is 31.5 pence (2014: 30.5 pence). The Directors consider that the adjustments made to exclude the after tax effect of exceptional items, contingent acquisition consideration treated as remuneration, and amortisation of acquisition intangibles 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 £4.8m (2014: £8.6m) and an additional £3.2m (2014: £0.7m) has been spent internally on developing new software which has been treated as an intangible asset.

Bank Facilities

LSL refinanced its bank facility in 2013 with a £100m revolving credit facility in place until August 2017 (2014: £100m).

Further details on the Group's financial commitments as well as the Group's treasury and risk management policies are set out in Note 29 to the Financial Statements. During the period under review, the Group complied with all of the financial covenants contained within the facility.

Net Bank Debt and Cashflow

As at 31st December 2015 Net Bank Debt was £39.9m (2014: £34.7m) and Shareholders' funds amounted to £107.4m (2014: £83.1m) giving balance sheet gearing of 37.1% (2014: 41.8%). The increase in Net Bank Debt arose mainly as a result of the increased number of acquisitions. The 2015 gearing level was 0.83 times adjusted EBITDA[1] (2014: 0.74 times). The Group has a committed revolving credit facility until August 2017. In 2015 the Group generated cash from operations of £36.5m (2014: £25.7m).

Zoopla

Subsequent to the 2015 interim date, Zoopla completed an anniversary offer allowing LSL to subscribe for a further 619,318 shares at the £2.20 IPO price with a 20% discount. These have been taken up by LSL. At the same time, a further 169,350 shares were sold through the anniversary member offer at £1.76 with proceeds of £0.3m net of associated costs included in other operating income. Zoopla's share price at 31st December 2015 was £2.40 per share. The fair value of the Group's 2.7% stake in Zoopla is calculated to be £27.1m at 31st December 2015.

Net Assets

The Group's net assets as at 31st December 2015 were £107.4m (2014: £83.1m).

Treasury and Risk Management

LSL has an active debt management policy. LSL does not hold or issue derivatives or other financial instruments for trading purposes.

Post Balance Sheet Events

Subsequent to the year end the following transactions have been completed:

a. LSL acquired three small lettings book acquisitions for a total initial consideration of £1.82m.

b. On 17th February 2016, Your Move acquired a 65% interest in GFL for an initial consideration of £9.1m, with 50% paid at completion and the remaining 50% to be in March 2017.

The Group is in the process of allocating the purchase price in accordance with IFRS 3. As a result the initial accounting for the acquisitions above are currently incomplete, so a fair value table of the identifiable assets and liabilities has not been presented.

International Financial Reporting Standards (IFRS)

The Financial Statements have been prepared under IFRS as adopted by the European Union.

Notes:

[1] Adjusted EBITDA is Group Underlying Profit as previously defined plus depreciation on property plant and equipment.

Principal Risks and Uncertainties

LSL has an overall framework for management of risks and internal controls to mitigate the risks. Through this framework, the Board, which has overall accountability and responsibility for the management of risk, on a regular basis identifies, evaluates and manages the principal risks and uncertainties faced by LSL, areas which could adversely affect its business, operating results and financial condition.

Development of risk appetite

During 2015, in line with the FRC's Guidance on 'Risk Management, Internal Control and Related Financial and Business Report' which was published in 2014 and which integrated and replaced the FRCs previous guidance on risk management and internal controls, the Board has developed LSL's approach to risk appetite to ensure continued compliance with the Code and FRC guidance. The Board has through this process expressed the types and level of risk which it is willing to take or accept to achieve LSL's plans and to support consistent, risk-informed decision making across the Group.

The development of the risk appetite began with the Directors defining the draft risk appetite statements for LSL's principal risks, and for key decisions made by the Board. These statements provide parameters within which the Board typically expect LSL's businesses to operate, facilitating structured consideration of the risk and reward trade-off for the decisions made around how the Group conducts business.

The discussions covered a wide range of risks, which reflect the nature of LSL's businesses and acknowledges that there is not a one size fits all approach to establishing risk parameters. During 2016, LSL will continue to develop the framework in line with emerging best practice, including evolution of existing objective measures defining risk appetite elements and analysis of how individual risk conditions interact with each other.

The Board will seek to establish clear parameters, whilst at the same time fostering an environment within which innovation and entrepreneurial activities thrive. Where there is any proposal to shift the Group significantly closer to or outside agreed risk parameters, this will be discussed and subject to Board approval before commencing any activities to ensure that appropriate mitigation controls are put into place.

Once finalised, LSL's risk appetite statements will be incorporated into our existing Group risk processes, and used to monitor business activities and decision making. Whilst good progress has been made in 2015, the continued development of the risk appetite framework remains a key priority for the Board in 2016.

Developing the financial viability statement

In developing the financial viability statement, it was determined that a three year period should be used, consistent with the period of the Group's strategic plan.

The Management Team reviewed the principal risks, and considered which of these risks might threaten the Group's viability.

A number of severe but plausible scenarios were considered and modelled in detail with input from a cross functional group of senior managers, including representatives from Finance.

The main focus of the scenario modelling related to the impact of a significant downturn in the property market as occurred in the 2008 to 2009 period. Modelling included the plans LSL put in place during that recessionary period. The skills and many of the personnel with experience to manage through such a scenario remain within the business which has helped this process and gives a degree of confidence to manage through a similar scenario.

Detailed assumptions for each scenario were built up and modelled by month across the three year period. The models measured the downside impact on revenue and the management action which would be taken to retain cash reserves and maintain the operating capacity of the business as a result of the stress scenarios.

Assumptions were also made for the potential growth of LSL counter-cyclical businesses, notably asset management, and the extent to which some activities, such as Lettings, tend to be less affected through the cycle. The modelling and assumptions took account of the broad range of services across a broad geography which allows some protection from the impact of stress scenarios.

The current £100m revolving credit facility is committed until August 2017. The Group expects to agree a new extended facility during 2016. External professional advice has also been sought and has confirmed the Directors' confidence that the refinancing will proceed as planned. This assumption has been included in LSL's financial plans and stress testing.

As set out in the Audit Committee's Report, the Directors reviewed and discussed the process undertaken by the Management Team in proposing the viability statement.

The Directors' financial viability statement is contained in the Directors' Report.

Risk management and internal controls framework

LSL's risk management and internal controls framework for 2015 included:

a. ownership of the risk management and internal controls framework by the Board, including a Risk Framework policy, supported by the Group Chief Financial Officer, the Company Secretary, Head of Risk and Internal Audit and members of the Group Finance team;

b. a network of risk owners in each of LSL's businesses with specific responsibilities relating to risk management and internal controls;

c. the documentation and monitoring of risks are recorded and managed through standardised risk registers which undergo regular reviews and scrutiny by local boards and the Head of Risk and Internal Audit;

d. the Board regularly identifies, reviews and evaluates the principal risks which may impact the Group as part of the planning and reporting cycle to ensure that such risks are identified, monitored and mitigated;

e. the development and application of LSL's risk appetite statement and associated framework (for further details on steps taken during the year, please see the Audit Committee Report); and

f. reporting by the Chairman of the Audit Committee to the Board on any matters which have arisen from the Audit Committee's review of the way in which the risk management and internal control framework has been applied together with any breakdowns in, or exceptions to, these procedures.

As stated above, LSL has in place a Group-wide risk appetite statement and framework which will continue to be developed in 2016. This framework includes the following:

a. assessment of principal risks and their management or mitigation;
b. assessment of prospects and viability;
c. review of effectiveness of the risk management and internal control systems; and
d. going concern confirmation (for LSL's going concern disclosure please refer to the Report of the Directors).

During the year, the Directors carried out a robust assessment of the principal risks facing the Group, including those that threaten the business model, future performance, solvency or liquidity. The Directors believe that the assessment which has been completed is appropriate to the complexity, size and circumstances of the Group, which is a matter of judgement of the Board and has been supported by the Management Team.

These risks may change over time due to changes in business models, performance, strategy, operational processes and the stage of development of the Group in its business cycle as well as with changes in the external environment. This robust assessment is focused on the principal risks and it differs from the review of the effectiveness of the systems of risk management and internal controls.

In accordance with the requirements of the Code this Report includes descriptions of principal risks together with a high level explanation of how they are being managed or mitigated. This includes clear descriptions of the risks together with an evaluation of the likelihood of a typical risk event crystallising and its possible impact. Mitigating steps and any significant changes to specific areas of risk are also referred to within the tabular summary.

As noted above, this robust analysis of principal risks has also contributed to the Group's viability statement which is set within the Report of the Directors. The Directors have also considered the impact if risks coincide, namely a combination of non-principal risks could potentially represent a single compound principal risk.

The Group also faces other risks which, although important and subject to regular review, have been assessed as less significant and are not listed overleaf. This may include some risks which are not currently known to the Group or that LSL currently deems as immaterial, or were included in previous Annual Report and Accounts and through changes in external factors and careful management, are no longer deemed to be as material to the Group as a whole.

However, these risks may individually or cumulatively also have a material adverse effect together with other risk factors which are beyond the direct control of LSL, and may have a material adverse impact on LSL's business, results of operations and/or financial condition. The risk management framework and procedures in place can only provide reasonable but not absolute assurance that the principal risks and uncertainties are managed to an acceptable level.

Further information relating to how LSL managed these risks and uncertainties during 2015 is set out in the Audit Committee Report (Internal Controls).

Lauristons branch, Kennington

Principal Risks and Uncertainties

	Risk	Description	Mitigation
Strategic:			
1	**UK housing market**	Group performance is intrinsically linked to the overall performance of the UK housing market (including subsets – e.g. prime Central London).	• Daily, weekly and monthly monitoring of trading and market performance data. • Market share, product mix and segmentation initiatives. • Development of counter-cyclical and less cyclical income streams. • Investment in acquisition teams. • Responsive cost control measures to market deterioration. • Balanced UK-wide geographical spread. • Monitoring of wider macro-economic developments.
2	**New UK housing market entrants**	Traditional business models for property services are exposed increasingly to new business models and technological advancements (e.g. web-based agents and Automated Valuation Models).	• Competitor/industry benchmarking. • Monitoring of potential acquisitions and joint venture opportunities. • Service delivery enhancements and experimentation. • Marketing initiatives. • Staff incentive schemes.
3	**Acquisitions and growth initiatives**	Realising appropriate targets for acquisition and major project initiatives, including delivery of appraisals, due diligence and integration/implementation requirements.	• Defined pre and post-acquisition reporting to the Group Board. • Structured authority levels. • Dedicated acquisition and post-acquisition teams. • External consultative support as necessary. • Established integration planning methodology. • Post-acquisition and post-implementation reviews. • Risk and Internal Audit engagements.
Sales/distribution:			
4	**Professional services**	Exposure to major PI claims arising from any lapses in surveying and valuation practices.	• Board-level authorities for PI claims settlement payments and governance of underlying claims handling and accounting processes. • Dedicated surveying risk team. • Timely data capture of all claims and associated trends. • Robust framework and monitoring routines to maintain valuation accuracy. • Utilisation of technology to monitor valuation trends and trigger alerts. • Risk and Internal Audit reviews. • Experienced claims handling personnel supported by legal experts. • Culture promoting effective sales conduct and open lines of communication with clients.
5	**Client Contracts**	The performance of the Surveying and Asset Management businesses is dependent on securing and retaining key lender contracts.	• Customer outcome focused forums and initiatives. • Designated senior members of staff with responsibility for relationship management. • Sufficient investment in resources to ensure LSL has the capacity to meet service level demands. • Targeted marketing/hospitality events. • Monitoring of compliance with lender contractual requirements. • Robust control framework supporting the accuracy of surveys/valuations. • Dedicated in-house Group Legal Services team • Risk & Internal Audit reviews.

	Risk	Description	Mitigation
Operations:			
6	**Information technology infrastructure**	The Group has varied operations which require a robust IT infrastructure. The IT environment needs to remain adaptable to support growth initiatives, harness technological advancements and counter business continuity threats, including malicious and cyber related attacks.	• Board level IT governance, policies and initiatives. • Dedicated in-house IT teams. • Maintenance of infrastructure to maintain effective service delivery. • On-going IT investment programme. • Implementable business continuity and disaster recovery solutions. • Monitoring of compliance with relevant contractual and regulatory requirements. • Inter-Group IT forums. • External consultative support as necessary. • Risk and Internal Audit reviews.
7	**Information security**	Group operations involve the processing of high volumes of personal data, with potential for unintended data loss and exposure to increasing levels of external cyber-crime.	• LSL Information Security and Governance Committee. • Dedicated LSL Information Security personnel. • Group data protection policy and training. • Tracking of data assets/data sharing, in line with authority levels. • Penetration testing programme. • Second and third-line risk-based reviews.
8	**Regulatory and legal**	Relationships with regulators and compliance with legal and regulatory requirements, including oversight of standards adopted by business partners (e.g. franchises and joint ventures).	• Top-down culture focused on fairness, transparency and successful customer outcomes. • Open dialogue with regulators and monitoring of emerging developments. • Group risk framework policy incorporating a 'three-line of defence' model to track compliance with regulations. • Group ethics policies – e.g. whistleblowing structures and anti-fraud policy. • Group-level forums with regulatory focus. • Dedicated compliance teams in higher risk/regulated functions. • Evolution of IT systems to strengthen oversight routines. • Responsive complaints tracking of any emerging themes. • In-house Group Legal Services team, with external consultative support when needed. • Group Risk and Internal Audit reviews.
People:			
9	**Employees**	Securing and retaining key strategic population and ensuring the effective management of personnel standards across varied Group businesses.	• Oversight by LSL Remuneration and Nominations Committees. • Group remuneration policies and incentive schemes to retain key strategic population. • Regular benchmarking and appraisals of senior management. • Succession planning reviews. • Dedicated in-house recruitment team. • Staff surveys and Group HR initiatives to improve staff morale, relieve areas of pressure and improve operational efficiencies. • Investment in Group-wide HR IT systems. • Monitoring of statutory requirements and developments. • Culture of transparency, clear Group policies and whistleblowing procedures should staff need to confidentially raise concerns.

Corporate Social Responsibility

The team at the start of their charity ride from Lands End to John O'Groats

The Board has overall responsibility for establishing the Group's Corporate Social Responsibility (CSR) statement and associated policies with the Group Chief Financial Officer, taking individual responsibility for the creation, operation and implementation of the Group's CSR statement and strategy.

LSL believes that it is necessary to support responsibly-grounded business decision making, to consider the broad impact of corporate actions on people, communities, and the environment. The growing awareness of and attention to social responsibility issues has many benefits for corporations such as LSL and by way of this statement, LSL recognises that its employees are central to the Group meeting its CSR, Environmental and Community Investment objectives. Guidelines, progress and achievements are communicated to employees at regular intervals through bulletins, intranet sites and notice boards as appropriate (including the Group HR online service systems).

LSL's focus is on actions that the Group can take over and above its legal requirements to address its competitive interests of the wider society and underpins all other internal policies that the Group adheres to. LSL actively ensures that its businesses are compliant and proactive in respect of legislation, in accordance with its employees, customers, suppliers and other stakeholders' interests.

LSL believes that the objective of providing goods and services needed or desired by members of society while returning a profit to Shareholders can be – and should be – fully compatible with addressing social responsibility concerns and vice versa. For example, LSL's environmental policy and performance demonstrates its commitment to the reduction of energy consumption and the positive impact that this has had both on the environment and in terms of cost reduction to the Groups businesses.

The Board recognises that it is important that Group companies operate in a responsible way. LSL's stakeholders expect LSL to take issues into account and LSL in turn has a duty to demonstrate to them how it is living up to this expectation. This can often mean balancing competing demands, which are placed on LSL as a public company and as a property services group.

This section of the Report details how LSL seeks to manage these interests.

LSL's objectives extend to its relationships with customers and suppliers, and all Group companies will seek to be honest and fair in these relationships. Further, ethics, hospitality and conflicts policies are in place to govern these relationships. During 2016, LSL is putting in place arrangements to ensure compliance with both the Modern Slavery Act 2015 and the payment practices reforms proposed by the Government during 2015 for implementation in 2017.

As part of LSL's regular risk assessment procedures, the Board takes account of the significance of environmental, social and governance (ESG) matters to the business of the Group and in its decision making. The Board has identified and assessed 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 receives information to make this assessment and that account is taken of ESG matters in the training of Directors. The Board has also 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.

LSL's People

LSL recognises that its people are a valuable asset and is committed to providing a working environment in which its employees can develop to achieve their full potential with opportunities for both professional and personal development.

By creating such an environment, LSL believes that this will enable the retention and recruitment of the right people to work at every level throughout the Group. An essential part of this strategy is to encourage and promote effective communication with all employees which is achieved through employee opinion surveys. This also ensures that LSL, in its decision making, takes into account its employees views. For further details of the employee survey arrangements, see Communication (Employees) below.

LSL's 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 recognises that its market leading positions in Estate Agency and Surveying are achieved by the quality and service provided by the Group's employees. LSL's employees are its key differentiator and it is this principle that guides the Board's decision making on how LSL approaches the management of its people.

Communication

Employees:

LSL ensures that employees are kept informed of Group affairs via information distributed by post, e-mail, handbooks or the various intranet sites. LSL values employee feedback and all Group employees are encouraged to discuss strategic, operational and business issues within their teams and with their management.

In addition, the Board receives employee feedback via employee opinion surveys which operate across all parts of the Group businesses on an annual basis. The data that is captured is presented to the Board as part of a regular review of employee matters which focuses on understanding the issues facing our employees. KPIs such as labour turnover and responses to key questions are also monitored to measure staff morale. Further the 2015 employee opinion survey results were once again reviewed in respect of age and gender diversity, see below for further details.

Each year LSL engages an external consultant to assist with the annual employee surveys and this engagement allows LSL to not only generate an accurate picture of engagement across the Group, it also allows LSL to assess the results and feedback received against similar organisations using the benchmarking data retained by the agency. As in previous years, the 2015 survey covered all aspects of the working environment including training, careers, performance and company communications together with questions on the effectiveness of company management and leadership. The response from employees to the survey was very positive with 3,578 (71%) (2014: 3,337 (67%)) returns received.

The survey results provide the Board with insight into what factors concern and motivate the Group's employees and contribute to action plans and/or focus groups across the Group. The employee survey process is continually evaluated and developed to maximise the validity and reliability of the data that is captured. Further, the process will be repeated again in 2016 as LSL remains committed to the continual development and improvement of employee engagement across the Group. On strategic matters, LSL recognises and consults Unite.

Customers:

In relation to its customers, all businesses regularly seek feedback from customers. This feedback is obtained in a range of ways, including relationship management meetings, formal questionnaires and mystery shopping exercises. This feedback is taken into account in LSL's decision-making processes and in particular in the development of its services to customers.

Equal Opportunities

LSL promotes equal opportunities in employment, recognising that equality and diversity is a vital part in its success and growth. The Group recruitment, training and selection processes seek to appoint the best candidates based on suitability for the job and to treat all employees and

The winner of Intercounty's Easter competition

Intercounty competition to raise money for Guide Dogs

applicants fairly regardless of race, sex, marital status, nationality, ethnic origin, age, disability, religious belief or sexual orientation, and to ensure that no individuals suffer harassment or intimidation.

Specific employment policies exist which employees are required to observe and over which the Group Chief Executive Officer has overall responsibility with some policies being submitted annually for review and approval by the Board. Compliance with legislation and Group policies is audited by the Group's Risk and Internal Audit team with regular reporting to the Board, which includes indicators such as staff turnover.

Age and Gender Diversity:
Since 2011, LSL has undertaken reviews in relation to gender diversity which was further explored in 2014 by the completion of an age and gender analysis of its 2014 employee opinion survey which revealed that whilst feedback from employees is consistent regardless of gender, there are differences in relation to age groups. This feedback will be taken into account in Group employee initiatives going forward. The findings of all reviews completed since 2011 are set out in LSL's previous Annual Report and Accounts. For details of relevant gender diversity KPIs, see below.

During 2015, LSL has remained committed to diversity and equal pay and LSL is closely monitoring the proposals relating to the new gender pay reporting requirements, and has also participated in the Government consultation. During 2016, LSL will ensure full compliance following the publication and commencement of the final reporting requirements.

Disability:
LSL has in place policies and procedures to achieve its objective that where appropriate, upon employment reasonable adjustments will be made 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 is also 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, including employee turnover and the makeup of its workforce by gender.

	2015	2014	2013	2012	2011
Total Employees at (31st December)	**5,181**	5,222	5,299	4,754	4,813
Total Employee turnover percentage (%)*	**28.5**	27.8	26.4	26.7	24.8

*Data excludes forced leavers.

Breakdown by Gender	**2015**	2014	2013	2012	2011
Male	**2,285**	2,316	2,318	2,052	2,065
Female	**2,896**	2,906	2,981	2,702	2,748

In accordance with reporting requirements, the gender split for the Board, senior management team and Group employees for 2015 and 2014 is as follows:

	Female		Male	
	2015	2014	**2015**	2014
Directors	**2**	1	**7**	7
Senior management team	**15**	12	**57**	55
Group employees	**2,899**	2,906	**2,282**	2,316

Employee Training:

LSL's businesses place strong emphasis on the quality of service they provide to customers with employees (and where appropriate consultants) undergoing appropriate training. During 2015, LSL continued its commitment to recruit, develop and invest in colleagues. The Group's approach is to prioritise colleague learning and development to strengthen the businesses and to ensure the Group's continued success. Examples of this approach to training are detailed below.

Surveying and Valuation Services:

There are now in excess of 100 graduates in the business, the majority of whom have achieved AssocRICS qualifications, and it is expected that the remainder will qualify during 2016. e.surv continues to use the Mitre Training Academy to support the learning and development of the Central Operations staff. There are now 35 members of staff who are working towards NVQ accreditation at either Level 1, 2 or 3 in Business Administration, Customer Service, Team Leading, Management, and Business Improvement Techniques.

In addition to this training initiative undertaken with Mitre, all surveyors receive continuing professional development through a variety of methods ranging from distance learning, regional workshops and an annual conference.

Estate Agency and Related Services:

Across the Group's Estate Agency Division's branches, employees adhere to the Codes of Practice issued by The Property Ombudsman (TPO) and/or the Association of Residential Lettings Agents (ARLA). This is in addition to observing compliance with relevant legislation, such as the Consumer Protection Regulations, guidance material published by relevant regulators, including the Competition and Markets Authority (CMA) (and its predecessor the Office of Fair Trading (OFT)), the National Trading Standards Agency/Trading Standards Institute (TSI), HMRC and codes published by other relevant bodies, including the Advertising Standards Authority (ASA). LSL from time to time also enters into direct dialogue with the regulators and consumer groups, such as Which?. During 2015, LSL on behalf of all its Estate Agency businesses entered into a primary authority agreement with York Trading Standards.

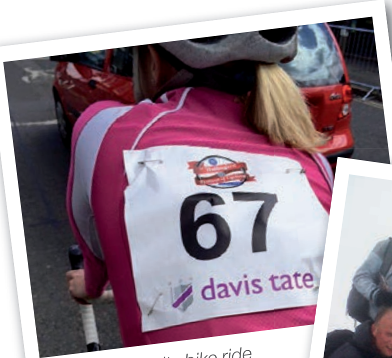
During 2015 the Group continued to monitor and implement regulatory changes, including the implementation of the Consumer Rights Act, which sought to simplify the UK's consumer legislation and implement the EU's Directive on Unfair Commercial Practices. As a result, the Group has reviewed and updated all consumer terms of business to ensure compliance with the new legislation.

LSL monitors all relevant legislative changes, including reform of consumer rights and data protection legislation, and in response keeps under review its training programmes to ensure that employees receive specially designed training courses, with the quality of service monitored on a regular basis.

LSL's 'Talent Development Team' delivered training to a total of 4,171 employees during 2015, equating to the delivery of 7,107 training days. 2015 saw the implementation of a number of eLearning packages on 'Learning Matters', LSL's online eLearning system, which allows Group employees to complete eLearning training packages for compliance and regulatory purposes, and as a result of this system, LSL are able to monitor and report on compliance training completion rates in real-time.

As stated above, LSL monitors all relevant legislative changes and in response keeps under review its training programmes to ensure that Group employees receive specially designed training courses, with the quality of service monitored on a regular basis.

Throughout the year a number of new learning initiatives were implemented including the launch of the Advances Leadership Pathway – an accredited development programme for existing and future managers, new apprenticeship programmes, career pathways and various CPD workshops to support the development of new and tenured employees.



Davis Tate charity bike ride

Your Move Financial Services team complete the 3 peaks challenge

Your Move's team in Scotland complete Tough Mudder

Intercounty charity '80s night

By fostering an inclusion culture, LSL are committed to diversity and equal pay, and recognise that many of its employees do not progress at the same rate. Therefore LSL have identified some of the main barriers to progression and have developed a plan to support minority groups. This includes the implementation of new training programmes which have started with both unconscious bias and assertiveness training.

In relation to LSL's Financial Services business, the FCA is responsible for the conduct of firms authorised by the Financial Services and Markets Act 2000 (FSMA). LSL's Financial Services businesses include two authorised firms, which operate broker networks that include other Group companies acting as their appointed representatives. Accordingly, the Financial Services companies are responsible for the training and compliance arrangements of all Financial Services business conducted by Group companies. LSL's Financial Services businesses place strong emphasis on the quality of service provided to customers and as part of the compliance arrangements, all employees involved in the Financial Services businesses receive appropriate and relevant training. In particular, all advisers complete a specially designed training programme which is supplemented by effective supervision, regular monitoring and regular refresher training sessions.

For further details on the regulations relevant to LSL's businesses, please see page 17 of the Business Review – Estate Agency Division included within the Strategic Report.

During 2015, the Group training expenditure was:

Division	Expenditure 2015	Expenditure 2014
Estate Agency and Related Services (£)	**1,489,182**	1,294,812
Surveying and Valuation Services (£)	**400,026**	937,725
Total Expenditure (£)	**1,889,208**	2,232,537

This includes in-house training costs of £1,557,807 (2014: £1,950,795).

Health, Safety and Welfare

LSL places great importance on the health, safety and welfare of its employees. Regular training is supported by policies, together with Group standards and procedures, 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 reasonable 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.

Separate Health and Safety policies exist which employees are required to observe and the Group Chief Financial Officer has overall responsibility for this. Compliance with legislation and Group policies is audited by the Group's Risk and Internal Audit team with regular reporting to the Board, and includes indicators such as accident numbers.

Environmental Issues

LSL recognises that the environment has an intrinsic value, which is central to the quality of life and underpins economic development. As part of this understanding, LSL have assessed the main areas in which it is able to effect the largest reductions in the Group's overall environmental impact.

The Group's Environmental Policy is contained within the CSR Policy, which the Group Chief Financial Officer, has overall responsibility for. Compliance with aspects of the CSR Policy is audited by the Group's Risk and Internal Audit team with regular reporting to the Board.

Since 2010, LSL's 'green' priorities have been to:

- Improve energy efficiency and reduce energy usage
- Reduce waste and increase recycling
- Reduce transport generated CO_2 emissions

Since the adoption of these 'green' priorities, LSL has sought to keep stakeholders informed on how LSL manages its environmental impacts and how it is performing. Stakeholders may also provide LSL with views and opinions which can strengthen LSL's approach to environmental management. Within this framework, LSL companies assess and manage the environmental impact of their operations to ensure that LSL is an active participant in the sustainable society and the LSL Board receives regular reports to enable it to monitor progress.

The Group continues to promote environmental awareness within the Group and to encourage the use of environmentally sensitive operating models.

Set out in the table below are examples of the environmental initiatives that LSL focused on in 2015. This will be the last year that LSL will report against the priorities. Going forward into 2016, LSL will select targets contained within the 2015 ESOS audit and report against these.

Green Priorities and Environmental Initiatives:	Examples of Actions Continued in 2015:
Recycling	• Group companies working to specific targets in relation to the use of general waste services in and the use of dry mixed recycling. • Environmental waste friendly arrangements have been maintained via Biffa for the majority of activity and also with First Mile in London. The commissioning of Biffa's new transfer stations has seen the Estate Agency Division increasingly utilising these facilities and recycling in excess of 80% of produced waste. During the year Marsh & Parsons instructed First Mile and recycled 53% of produced waste. e.surv participation has continued with the 'Shred-Pro' shredding and recycling programme which saved 112 trees (2014: 121 trees). In addition, esurv recycled 86% of produced waste, equating to 7.4 tonnes (2014 comparison data not available). • Across the Group various recycling schemes are in place with Iron Mountain, which delivered the following benefits: • 271 (2014: 173) cubic metre landfill reduction. • 1,038,000 (2014: 761,457) trees saved. • 87,386 (2014: 50,030) kilos of recycled paper produced.
Power Saving	• Continued monitoring of energy consumption and benefits of energy saving initiatives. • Installation of Smart Meters to monitor electricity and gas consumption within some Estate Agency Division branches now completed at the majority of sites. Marsh & Parsons have installed LED window displays across all their branches, and just over half of their estate overall is primarily fitted with LED or other form of low energy lighting. At other Estate Agency Division branches the installation of LED window and wall displays continues via the annual branch refurbishment programmes. • Encouraging the switching off of electrical equipment, such as printers and PCs overnight. • Promotion of the installation of timer plugs and other devices.
Avoid/Limit Printing	• Continued use of the "think before you print" note on emails to customers and employees. • Implementation of secure printing by Marsh & Parsons has resulted in a significant reduction in unnecessary reprints, generating a saving of 21% over comparable 2014 usage and spend. • Continued investment in electronic record keeping avoiding the need to maintain paper files. • Promote double sided photo copying and printing where paper records are necessary.
Remote Meetings (including training)	• LSL employees are geographically spread out across the UK and where possible, meetings are held by telephone conference facilities to avoid the need for travel which provides both financial and environmental benefits to the Group. • Implementation and utilization of online training arrangements (e.g. Learning Matters) to encourage remote training and minimise travel delivering financial and environmental benefits.
Reduce Carbon Emissions	• Encourage company car users to select energy efficient cars, and offer a range of hybrid and efficient dynamics diesel models on the company car list. • See also mandatory greenhouse gas emissions reporting overleaf.

Greenhouse Gas Emissions (GHG)

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

During the 2014/2015 reporting period, LSL emitted a total of 8,561 tCO_2e from fuel combustion and operation of LSL's facilities (Scope 1 direct), and electricity purchased for LSL's own use (Scope 2 indirect). This is equal to 29 tCO_2e per £m of revenue or 1.89 tCO_2e per full time equivalent employee.

The table below shows LSL's tCO_2e emissions for the period 1st October – 30th September for the years 2015, 2014 and 2013.

(tCO_2e)	**2014/ 2015**	2013/ 2014	2012/ 2013
Combustion of fuel and operation of facilities (Scope 1)	**4,325**	4,781	3,728
Electricity, heat, steam and cooling purchased for our own use (Scope 2)	**4,236**	4,834	5,436
Total Scope 1 and 2	**8,561**	9,614	9,164
tCO_2e per full time equivalent employee	**1.89**	2.1	2
tCO_2e per £m revenue	**29**	34	37

As can be seen above, since 2014 LSL's absolute emissions have decreased by 11%. This reduction is principally due to the Group's programme of continual branch refurbishment across the Estate Agencies to improve efficiency and modernise the fittings, as well as the reduction in average FTE employees across the Group over the year and the disposal of a number of sites.

GHG reporting methodology:

The Group quantifies and reports on its organisational greenhouse gas emissions according to Defra's Environmental Reporting Guidelines and has utilised the UK Government 2015 Conversion Factors for Company Reporting in order to calculate CO2 equivalent emissions from corresponding activity data. LSL has also utilised data required for compliance with the CRC Energy Efficiency Scheme and the UK's Energy Savings Opportunity Scheme (ESOS) (see below).

In order to improve monitoring and management of the Group's climate change impact, LSL continued to commission independent environmental consultancy, Carbon Credentials Energy Services Limited to support with emissions reporting.

GHG reporting boundaries and limitations:

The emission sources included within this Report fall within the consolidated Financial Statement. LSL does not have responsibility for any emissions sources that are not included within the consolidated Financial Statement. LSL have not yet during 2015 calculated the Group's fugitive refrigerants from air-conditioning equipment as these are considered to be de minimis, however, LSL may look to quantify and report on emissions from this source in future years.

The GHG sources that constitute LSL's operational boundary for the 2014/2015 reporting period are:

- Scope 1: Natural gas combustion within boilers and road fuel combustion within vehicles
- Scope 2: Purchased electricity consumption for our own use

GHG reporting assumptions and estimations

In some cases, missing data has been estimated using either extrapolation of available data from the reporting period or data from 2013/2014 as a proxy.

Energy Savings Opportunities Scheme (ESOS)

During 2015, LSL undertook a number of energy audits to identify further opportunities for energy and emissions reductions and to ensure compliance to the new ESOS Regulations 2014 and Article 8 of the EU Energy Efficiency Direct, which came into force in the UK in July 2014.

The aim of ESOS is to aid organisations in its identification of energy efficient savings to support and increase good energy management and it is part of the Government's climate change initiative. The results of the audit were submitted to the Environment Agency in December 2015 and LSL's next audit is scheduled to take place in 2019.

The 2015 audit which was completed by a Lead ESOS Assessor, involved a review of energy consumption data and visits to selected branches and offices. The recommendations arising from the audit, which were reported to the Board will during 2016, be reviewed and a plan formulated to ensure the achievement energy efficient savings and good energy management across the LSL Group.

In 2016, the Group is engaging with Carbon Credentials to set up a Group wide energy strategy to link the recommendations identified through ESOS with the planned refurbishment programme for the retail portfolio.

Social and Community interests (including Human Rights and Ethical Issues)

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

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

LSL supports its businesses in achieving these objectives by encouraging Group businesses to:

- make donations both to local and national charities;
- support and organise fundraising events including supporting charities and local community initiatives selected by Group companies; and
- support employees in their personal fundraising ambitions.

Further details of some specific charitable initiatives are set out below.

LSL's approach to the promotion of human rights and ethical issues is contained within the Group's HR policies, which includes the Group's Combined Ethics Policy, which is presented to the Board for annual review and approval. While all Group employees are made aware of the policy, the Risk and Internal Audit Team will audit awareness and compliance.

During 2015 LSL has been monitoring the introduction of the Modern Slavery Act 2015 and during 2016 LSL is putting into place arrangements to ensure compliance with the the new requirements.

Charitable Donations

Workplace Giving:

LSL has implemented the 'Workplace Giving' initiative and all Group employees have been invited to participate. The initiative was launched in October 2010 and in 2015 LSL employees raised over £14,000. Over 160 employees participate in the scheme, which donates to a range of charities.

Working with professional fundraising organisations, Workplace Giving UK makes it possible for employees to make regular donations via the payroll system to a charity or charities of their choice on a tax free basis. The tax free element means that the charity benefits on receiving a higher amount. Further information can be found at: **www.workplacegiving.co.uk/giving**

Agents Giving (www.agentsgiving.org):

LSL's Estate Agency Division continues to support the Agents Giving as its primary charity.

Agents Giving, which was launched originally in 2007 as "The Estate Agency Foundation" and then rebranded in 2014, has as its objectives:

- encourage and support estate agents throughout the UK to raise funds for charitable causes;
- bring together the whole industry to contribute to charitable causes throughout the UK; and
- raise funds from supporters' activities and central fundraising events which will be distributed to established and recognised charities.

The Group HR Director, Lisa Charles-Jones is a trustee of the charity, which was chosen due to its direct connection with property and estate agency. It brings together estate agents from all over the country with the hope that by using their collective fundraising skills, the Agents Giving initiative makes a significant contribution to communities. Lisa's appointment ensures that LSL is able to support the charity's initiatives and fundraising activities.

Surveying:

Within the Surveying Division, during 2015 a number of different charities (national and local) were supported by initiatives undertaken by e.surv Chartered Surveyors' employees, which included the following:

- Meningitis (www.meningitis.org)
- Cransley Hospice, a hospice for terminally ill patients in Kettering (nominated staff charity since in 2010) (www.cransleyhospice.co.uk)
- Help for Heroes (www.helpforheroes.org.uk)
- Heartlink (www.heart-link-glenfield.org.uk)
- Children Are Butterflies (www.childrenarebutterflies.org.uk)
- Great Ormond Street Childrens Hospital (www.gosh.org)
- Huntingtons Disease Association (www.hda.org.uk)
- Stroke Association (www.stroke.org.uk)
- Teenage Cancer Trust (www.teenagecancertrust.org)

Group HR:

During the year, members of the Group HR team undertook various fundraising activities in aid of Cancer Research UK, and St Oswald's Hospice, in Newcastle. These included a charity gala dinner which was sponsored by key suppliers and the completion of the Walt Disney World Marathon by the Group HR Director in Orlando. In addition, members of the Estate Agency Division completed a cycle ride from Land's End to John O'Groats. In total the fundraising exceeded £60,000.

The Board

1. Kumsal Bayazit Besson
Non Executive Director
Kumsal was appointed as an independent Non Executive Director on 1st September 2015 and is also a member of LSL's Nominations, Remuneration and Audit Committees.
Kumsal has significant experience in strategy, technology, operations and sales and marketing, particularly in the professional information solutions sector. This includes her current appointment as a Regional President, Europe at Reeds Exhibitions which is part of the RELX Group plc (formerly the Reed Elsevier Group plc). Kumsal has previously held a number of executive technology and digital strategic roles including appointments as Chief Strategy Officer for RELX Group, as the Executive Vice President of Global Strategy and Business Development for LexisNexis (part of RELX Group plc) and as a consultant for Bain & Co in New York, Johannesburg, Sydney, San Francisco and Los Angeles. Kumsal holds an MBA from Harvard Business School and a BA in Economics from the University of California at Berkeley.

2. Helen Buck
Non Executive Director
Helen was appointed as an independent Non Executive Director on 1st December 2011 and is also a member of LSL's Nominations and Remuneration Committees. She is also Chief Operating Officer at Palmer Harvey and prior to this was a member of the operating board of Sainsbury's Supermarkets Ltd (Sainsbury's) having been appointed as Retail Director in March 2012 and became Business Development Director in May 2014. Helen joined Sainsbury's in 2005 and, after spending four years running Brand Communications, moved to the Trading Division as Business Unit Director, in 2009. Before joining Sainsbury's, Helen held a number of senior positions at Marks & Spencer Group plc, Woolworths and Safeway and was a senior manager at McKinsey & Co.

3. Ian Crabb
Executive Director, Group Chief Executive Officer
Ian was appointed Group Chief Executive Officer on 9th September 2013 and he has primary responsibility for the performance, strategy and development of LSL. Previously Ian was Executive Chairman of Learndirect, where he worked closely with Lloyds Development Capital on Learndirect's growth strategy and before that was Chief Executive of Quadriga Worldwide, Europe's market leader in digital IP communication and entertainment services for hotels, where he was responsible for expanding the business into 50 countries. Over the seven year period of his stewardship, which included the 2007 sale of the company by Terra Firma, the business consistently over-achieved against demanding financial targets. Earlier, Ian was a member of the Industrial Advisory Board at Permira Advisers LLP and worked on major transactions including the €640m buy out of Hogg Robinson. Prior to this he was Chief Executive of IKON Office Solutions, the document management and office products provider for six years, delivering significant growth both organically and through several acquisitions.

4. Adam Castleton
Executive Director, Group Chief Financial Officer
Adam was appointed as Group Chief Financial Officer on 2nd November 2015. Adam has a breadth of financial skills and experience in the retail and services sectors. Adam joined LSL from French Connection Group PLC where he was the Group Finance Director. He previously held leadership roles at a number of market leading companies including O2 UK, eBay, and The Walt Disney Company. Adam has over 25 years' experience in finance, having started his career with Price Waterhouse where he qualified as a Chartered Accountant in 1989.

5. Simon Embley
Non Executive Director and Chairman
Simon was appointed Non Executive Chairman on 1st January 2015, having previously held the positions of Deputy Chairman and Group Chief Executive Officer. He became the Group Chief Executive Officer of LSL at the time of the management buy-out of e.surv and Your Move from Aviva (formerly Norwich Union Life) in 2004. Prior to the management buy-out, Simon was responsible for the strategic direction of these companies, and subsequent to the management buy-out Simon has overseen and been responsible for the turnaround of the initial Group from a heavily loss-making business to the successful business it is today. Simon's other directors are limited to a small estate management company and Road to Health, a healthcare provider.

6. Adrian Gill
Executive Director, Estate Agency
Adrian was appointed as the Executive Director, responsible for Estate Agency on 24th November 2014 having served as an independent Non Executive Director since September 2012. Adrian has overall responsibility for the performance, strategy and development of the Estate Agency Division across LSL. He was

previously an Executive Director at Connells Limited (Connells), the national estate agency business of the Skipton Building Society, for over 10 years. Prior to his role at Connells, Adrian was Managing Director of Lush Retail. Adrian is a Chartered Accountant and is currently also a Director at Lifetime Legal Limited.

7. Mark Morris

Non Executive Director and Chairman of the Audit Committee

Mark was appointed as an independent Non Executive Director of LSL and Chairman of the Audit Committee on 21st November 2006 and he served as the Senior Independent Director from November 2006 until 31st December 2014. He is also a member of LSL's Nominations and Remuneration Committees. Mark has many years' experience of business management with particular focus on growing businesses and mergers and acquisitions. Mark is a chartered accountant and worked for 12 years at PriceWaterhouseCoopers. Mark is currently Senior Independent Director and Audit Committee chairman at HomeServe plc and works with a number of entrepreneurial private companies. Mark previously worked at Sytner Group as Finance Director and Managing Director from 1995 to 2005 including the period during which it was listed on the London Stock Exchange. Mark will retire from the Board and its Committees with effect from with the 2016 AGM.

8. Bill Shannon

Non Executive Director, Deputy Chairman, Senior Independent Director, and Chairman of the Remuneration Committee and Nominations Committee

Bill was appointed as an independent Non Executive Director and the Chairman of the Remuneration Committee on 7th January 2014 and on 1st January 2015, he took on the roles of Deputy Chairman, Senior Independent Director and Chairman of the Nominations Committee. He is also a member of LSL's Audit Committee. Bill has significant PLC board experience in strategy, operations, finance and governance in the consumer, financial services, residential and commercial property sectors. He is currently Non Executive Chairman of St Modwen Properties plc and Non Executive Director of Johnson Service Group plc. He was previously at Whitbread Group plc from 1974 and between 1994 and 2004, he was the Divisional Managing Director. He has also served as Non Executive Chairman of Aegon UK plc and Non Executive Director of Rank Group plc, Barratt Developments plc, and Matalan plc.

9. David Stewart

Non Executive Director

David was appointed as an independent Non Executive Director on 1st May 2015 and he is also a member of LSL's Nominations, Remuneration and Audit Committees. Subject to David's election at the AGM, David will also take on the role of Chairman of LSL's Audit Committee with effect from AGM. David has significant experience in strategy, operations, sales and marketing, finance and governance, particularly in the financial services sector. David's other appointments include being a Non Executive Director on the boards of M&S Bank and Unum Limited. He was previously Chief Executive of Coventry Building Society (July 2006 to March 2014). Before that, he held the positions of Finance Director and Operations Director. Prior to joining Coventry Building Society, David served on the board of DBS Management plc, undertaking at various times the roles of Group Chief Executive, Group Managing Director and Group Finance Director during a ten year career with the business. David, originally from Manchester, studied economics and politics at Warwick University and qualified as a chartered accountant with Peat Marwick (KPMG).

10. Sapna FitzGerald

Legal Services Director and Company Secretary

Sapna is a solicitor (qualified in 1998) and has been in the role of Company Secretary at LSL since 2004. Prior to the management buy-out of Your Move and e.surv, Sapna was a member of Aviva Life Legal Services and had since 2001 formed part of the team that supported Your Move and e.surv Chartered Surveyors. Sapna FitzGerald is not a Director of LSL.

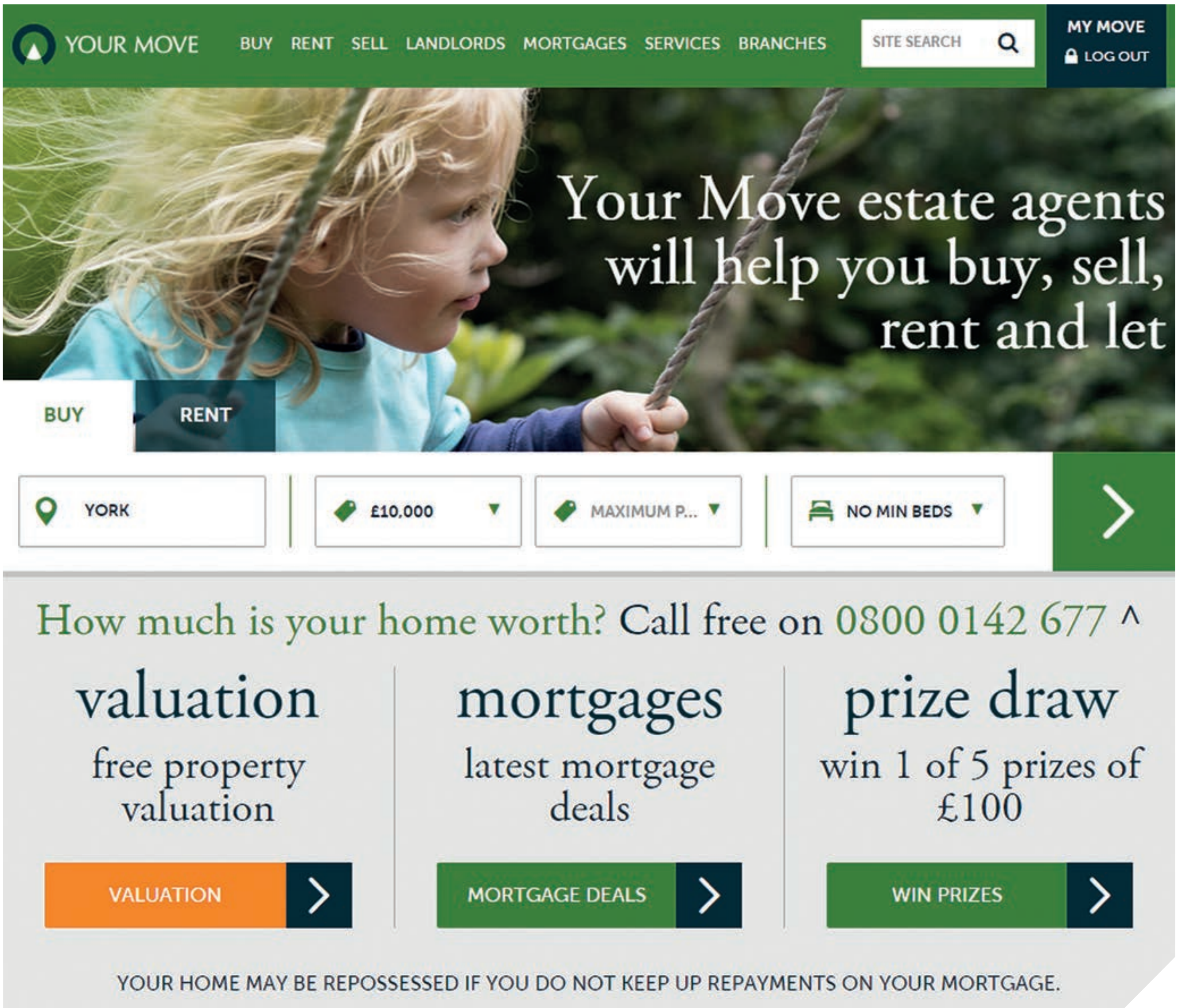
The Strategic Report (including the Strategy, the Business Model, the Business Reviews, the Financial Review, the Principal Risks and Uncertainties, the Corporate Social Responsibility Report and the Board) is approved by and signed on behalf of the Board of Directors.

Ian Crabb
Group Chief Executive Officer
3rd March 2016

Adam Castleton
Group Chief Financial Officer
3rd March 2016

Report of the Directors and Corporate Governance Reports

In this section



your-move.co.uk's new website, launched March 2015

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 (IFRS) 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 the Group 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 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 and enable them to ensure that the Financial Statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. 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.

The Directors are also responsible for preparing the Strategic Report, the Report of the Directors, the Directors' Remuneration Report, the Audit Committee Report and the Corporate Governance Report in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

Report of the Directors

Business Review and Development

The Chairman's Statement and the Strategic Report set out a review of the business including details of LSL's performance, developments (including future developments) and strategy.

Annual General Meeting

The AGM will be held at the London offices of LSL, 1 Sun Street, London EC2A 2EP on 28th April 2016 starting at 4.30pm.

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

Financial Results

The Strategic Report and Financial Statements set out the results of LSL.

Dividend

As a result of the growth in underlying Group profitability and the Board's positive view of future prospects for the business, an increase in the final dividend of 3.6% to 8.6 pence per share (2014: 8.3 pence per share) will be proposed to Shareholders at the 2016 AGM, increasing the total dividend for 2015 by 2.4% to 12.6 pence per share (2014: 12.3 pence per share). The proposed dividend payment is at the upper end of our previously stated policy of applying a dividend payout ratio of between 30% to 40% of Group Underlying Operating Profit after interest and tax and reflects the Directors confidence in the future.

The ex dividend date for the final dividend is 24th March 2016 with a record date of 29th March 2016 and a payment date of 6th May 2016. Shareholders have the opportunity to elect to reinvest their cash dividend and purchase existing shares in LSL through a dividend reinvestment plan.

Employees

LSL recognises that its people are a valuable asset and it is committed to providing a working environment in which employees can develop to achieve their full potential with opportunities for both professional and personal development. By creating such an environment, LSL believes that this will enable the retention and recruitment of the right people to work at every level throughout the Group. An essential part of this strategy is to encourage and promote effective communication with all employees, which also ensures that LSL, in its decision making, takes into account its employees views.

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. Further details of how LSL engages with its employees are contained in the Corporate Social Responsibility (CSR) statement, included in this Report. The CSR statement also summarises the Group's policy in relation to disabled employees.

Financial Instruments

The Strategic Report sets out LSL's strategies and objectives relating to treasury and risk management. Details of the financial instruments are set out in Note 29 to the Financial Statements.

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

In accordance with Part 7 of The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, each year LSL reports on targets and KPIs approved by the Board within the Directors' Report in the Annual Report and Accounts. The 2015 results are included within the CSR statement of this Report.

Directors

The current Directors are listed with their biographies in the Board at pages 34 to 35 of this Report. On 1st January 2015 Simon Embley became a Non Executive Director and Chairman of the Board and Bill Shannon took on the role of Deputy Chairman in addition to his existing roles of Senior Independent Director, Chairman of the Nominations and Remuneration Committees and member of the Audit Committee.

Further, during the year David Stewart and Kumsal Bayazit Besson joined the Board as Non Executive Directors and members of the Nominations, Remuneration and Audit Committees, and Adam Castleton joined the Board as Group Chief Financial Officer.

David Stewart has significant experience in strategy, operations, sales and marketing, finance and governance, particularly in the financial services sector. This includes his current appointments as a Non Executive Director on the boards of M&S Bank and Unum Limited.

Kumsal Bayazit Besson has significant experience in strategy, technology, operations and sales and marketing, particularly in the professional information solutions sector. This includes her current appointment as Regional President, Europe at Reeds Exhibitions which is part of RELX Group PLC.

Adam Castleton joined LSL from French Connection Group PLC. He previously held leadership roles at a number of market leading companies, including O2 UK, eBay, and The Walt Disney Company. Adam has over 24 years' experience in finance, having started his career with Price Waterhouse where he qualified as a Chartered Accountant in 1989.

Looking forward, in December 2015, LSL announced that Mark Morris, who has been a Non Executive Director and member of the Nominations, Remuneration and Audit Committees since November 2006, will retire from the Board and its Committees and that David Stewart, will, subject to his election at the 2016 AGM, take on the role of Chairman of the Audit Committee in addition to his appointments as a member of the Remuneration and Nominations Committees with effect from the AGM.

Full details of the Directors service contracts, letters or appointment and interests in LSL Shares are also detailed within the Directors' Remuneration Report.

Re-election and Election

All of the current Directors will each retire at the AGM and, being eligible (excluding Mark Morris) intend to stand for election/re-election. LSL's articles provide that the Board may appoint an individual to act as a Director, but anyone so appointed will retire from office at the next AGM and seek election. Accordingly, all of the Directors (excluding Mark Morris) who were elected at the 2015 AGM will also stand for re-election at the 2016 AGM and all Directors appointed since the 2015 AGM will stand for election.

LSL may by ordinary resolution elect or re-elect any individual as a Director. In addition, by an amendment to the Nominations Committee's Terms of Reference, LSL has confirmed its commitment to annual elections of its Directors. Accordingly all of the Directors will stand for re-election at the AGM.

The biographical details for all LSL Directors are set out on pages 34 and 35 of this Report.

During the 2015 Board effectiveness review, the performance of the Directors, who are all standing for re-election, was specifically evaluated and the Board confirmed that it values the experience and commitment to the business demonstrated by each of these individuals.

Directors' Interests

The interests of the current Directors in LSL are contained within the Directors' Remuneration Report included in this Report. During the period between 31st December 2015 and the date of this Report, there were no changes in the Directors' interests other than the purchases of Shares by Ian Crabb (167 shares) and Adrian Gill (167 shares) as participants of LSL's BAYE/SIP scheme. These Shares were purchased by the Trust at the prevailing market rate.

The Board has during the year observed and maintained arrangements for the management and recording of conflicts in line with its policy. This includes the observance of an anti-bribery and hospitality policy to ensure compliance with section 176 of the Companies Act 2006.

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

Directors' Service Contracts

Details of the Executive Directors' service agreements and the current Non Executive Directors' letters of appointment are set out in the Director's Remuneration Report and are available for inspection at the Registered Office during normal business hours and at each AGM.

Auditors

Ernst & Young LLP, the external auditor of the Group has 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. See also the Audit Committee Report for further details.

Details of LSL's policy designed to safeguard the independence and objectivity of the external auditors is included in the Audit Committee 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 24 to the Financial Statements. There have been no changes to the share capital during 2015. 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 2016 AGM are set out in the Notice of Meeting.

Employee Share Schemes

LSL has two employee benefit trusts. The first was established in 2006 prior to LSL's flotation on the London Stock Exchange and LSL appointed Capita Trustees Limited (Trustees) to operate the LSL Property Services plc Employee Share Scheme (Trust). The Trustees of this Trust operate both the LSL Property Services plc Employee Share Incentive Plan (Buy As You Earn or BAYE) and the Save As You Earn (SAYE) 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 12 to the Financial Statements. The Trustees have waived the right to any dividend payment in respect of each Share held by them in 2015 and to all future payments.

The second employee benefit trust was established in November 2011 (the 2011 EBT), as part of the acquisition of Marsh & Parsons. While the beneficiaries of the 2011 EBT are the LSL employees, the 2011 EBT acquired the Growth Shares as part of the transaction and some of these shares were acquired by members of the current management team of Marsh & Parsons in 2012 and 2013. This was in accordance with the previously stated objective that current and future managers at Marsh & Parsons apply for Growth Shares, as part of a package of measures designed to incentivise the management of Marsh & Parsons. The 2011 EBT does not currently hold any LSL shares.

Viability Statement

In accordance with provision C.2.2 of the Code, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years.

A period of three years has been chosen for the purpose of this viability statement, in line with the Group's planning cycle.

The Directors' assessment has been made with reference to the Group's current position and prospects, the current three year strategy and the Group's principal risks and uncertainties and how these are managed as detailed in pages 22 to 25 of the Strategic Report.

The strategic plan has been stress tested using sensitivity analysis which reflects plausible but severe combinations of the principal risks of the business, primarily through reducing revenues and cash flow as a result of a severe downturn in the UK property market.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review sections of the Strategic Report. The financial position of the Group, its cash flows, liquidity position and the Group's policy for treasury and risk management are described in the Financial Review sections of the Strategic Report. Details of the Group's borrowing facilities are set out in Note 21 to the Financial Statements. Note 29 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 within the Strategic Report on pages 22 to 25.

As explained in Note 29 to the Financial Statements, the Group meets its day to day working capital requirements through a revolving credit facility, which was renewed in June 2013 and the Group currently has a £100.0m facility which is committed for a period up to August 2017. As stated in Note 21 to the Financial Statements as at 31st December 2015 the Group had available £60.1m 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 considered the future profitability of the Group, forecast of future cash flows, banking covenants, liquidity of investments and joint ventures and the ability of the Group to re-finance any loans due to mature in the next 12 months (including the Group's facility which due to mature in August 2017) where necessary. Further the Directors considered the key judgments, assumptions and estimates underpinning the review.

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

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

Directors' Qualifying Third Party Indemnity Provisions

LSL had qualifying third party indemnity provisions for the benefit of the Directors in force from the start of the financial period to the date of this Report, subject to the conditions set out in the Companies Act 2006. LSL has put in place 'Directors & Officers' Liability' insurance and indemnities 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 31st December 2015, LSL's issued share capital comprised 104,158,950 0.2 pence Ordinary Shares. The authorised share capital is 500,000,000 Ordinary Shares of 0.2 pence each.

Ordinary Shares

On a show of hands at a general meeting of LSL every holder of Ordinary Shares present in person and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every Ordinary Share held. The notice of 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 LSL other than:

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

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

LSL has the authority under section 701 of the Companies Act 2006 to make market purchases of the Ordinary Shares of the Group on such terms and in such manner that the Directors determine. The maximum shares to buy back is capped at 10% of the Ordinary Share capital of the Group being 10,415,895 Ordinary Shares.

Company Share Schemes

As at 31st December 2015, the Trust held 1.6% (2014: 2.2%) 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.

Significant Agreements – Change of Control

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

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

Post Balance Sheet Event

Subsequent to the year end the following transactions have been completed:

a. LSL acquired three small lettings book acquisitions for a total initial consideration of £1.82m.

b. On 17th February 2016, Your Move acquired a 65% interest in Group First Limited for an initial consideration of £9.1m, with 50% paid at completion and the remaining 50% in March 2017.

Management is in the process of allocating the purchase price in accordance with IFRS 3. As a result the initial accounting for the acquisition is currently incomplete, so a fair value table of the identifiable assets and liabilities has not been presented.

Directors' Responsibility Statement

Each of the Directors 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 LSL and its subsidiaries included in the consolidation taken as a whole;
- the Strategic Report (including the Strategy, the Business Model, the Business Reviews, the Financial Review, the Principal Risks and Uncertainties, Corporate Social Responsibility Report and the Board) and the Directors' Report (including the Corporate Governance Reports) include a fair review of the development and performance of the business and the position of LSL and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Report (including the Financial Statements), taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess LSL's performance, business model and strategy.

Substantial Shareholding

As at 31st December 2015 and as at 2nd March 2016, the Shareholders set out below have notified LSL of their interest under DTR 5:

		31st December 2015		2nd March 2016	
Institution	Nature of holding	Number of 0.2 pence Ordinary Shares	% of issued shares	Number of 0.2 pence Ordinary Shares	% of issued shares
Henderson	Beneficial	4,182,818	4.01	4,182,818	4.01
Brandes Investment Partners LP	Beneficial	5,251,787	5.04	5,251,787	5.04
First Pacific Advisers, LLC	Beneficial	5,684,471	5.46	5,684,471	5.46
The Capital Group Companies Inc	Beneficial	6,160,282	5.92	6,160,282	5.92
Kinney Asset Management, LLC	Beneficial	6,288,309	6.04	7,487,483	7.19
Setanta Asset Management Ltd	Beneficial	6,373,737	6.12	6,373,737	6.12
Harris L.P	Beneficial	11,585,233	11.12	11,585,233	11.12
Individual (excluding Directors)					
David Newnes	Registered Holder	3,458,259	3.32	3,458,259	3.32

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

Sapna B FitzGerald
Company Secretary
3rd March 2016

Corporate Governance Report

UK Corporate Governance Code (September 2014) (the Code)

The Board is committed to the highest standards of corporate governance and the Directors recognise the value and importance of meeting the principles of good corporate governance as set out in the Code. This part of the Report describes how LSL has complied with the Code during 2015 and the corporate governance arrangements that are in place for 2016.

During 2015, LSL complied with the provisions of the Code in all respects save only in relation to the appointment of Simon Embley as Chairman, which took effect on 1st January 2015. The relevant provisions of the Code are:

a. A.3.1, which states that a chairman should on appointment meet the independence criteria set out in B.1.1. Further a chief executive should not go on to be chairman of the same company. However, if by exception the board decided that a chief executive should become chairman, the board should consult major shareholders in advance and set out its reasons to shareholders both at the time of the appointment and in the next annual report.

b. B.1.1, which stipulates the criteria for determining 'independence', namely that a director is not deemed independent if he has been an employee of the company/group within the last 5 years; has a significant shareholding; has participated in the company's share option/ performance related pay scheme; or is a member of the pension scheme.

Prior to his appointment as Chairman, Simon Embley was an Executive Director in his roles as the Group's Chief Executive Officer and then Deputy Chairman. The changes in Simon's roles reflect the Board's continued desire to implement an orderly succession and their wish to retain Simon's knowledge and experience of the residential property market, maintain contacts with key stakeholders and benefit from his track record of delivering Shareholder value. Prior to Simon Embley's appointment as Chairman, LSL has consulted with major Shareholders and their feedback was taken into account. Looking forward and in accordance with the provisions of the Code, whilst Simon did not meet the independence criteria on appointment, following appointment the test of independence is not appropriate in relation to the role of chairman.

The Board

At the date of this Report, the Board has nine members, whose details are set out below. Details of changes to the Board which took place in 2015 and which are planned for 2016 are set out below.

Director Name	Position(s)
Helen Buck	Independent Non Executive Director – member of Nominations Committee and Remuneration Committee
Kumsal Bayzit Besson	Independent Non Executive Director – member of Nominations Committee, Remuneration Committee and Audit Committee
Ian Crabb	Executive Director – Group Chief Executive Officer
Adam Castleton	Executive Director – Group Chief Financial Officer
Simon Embley	Non Executive Director – Chairman
Adrian Gill	Executive Director – Estate Agency
Mark Morris (1)	Independent Non Executive Director – Chairman of the Audit Committee and a member of the Nominations Committee and Remuneration Committee
Bill Shannon	Independent Non Executive Director – Deputy Chairman, Senior Independent Director, Chairman of the Remuneration Committee, Chairman of the Nominations Committee and a member of Audit Committee
David Stewart (2)	Independent Non Executive Director – member of Nominations Committee, Remuneration Committee and Audit Committee.

Notes:

1 Mark Morris will retire at the 2016 AGM

2 David Stewart, will subject to his election at the 2016 AGM be appointed as Chairman of the Audit Committee, with effect from the 2016 AGM

During the year, the Nominations Committee and the Board considered at length a number of aspects regarding its composition and has had to respond to a number of changes. These changes comprised the appointment of Kumsal Bayazit Besson and David Stewart as Independent Non Executive Directors and the recruitment of Adam Castleton, as Group Chief Financial Officer.

Further details on all Board changes are set out in this Corporate Governance Report and all of the Directors are listed with their biographies in the Board at pages 34 and 35 of this Report.

There is a clear division of responsibilities between the Chairman and the Group Chief Executive Officer. The Chairman's key responsibilities are leadership of the Board and ensuring its effectiveness on all aspects of its role. The Chairman sets the Board's agenda, ensuring that adequate time is available for discussion of all agenda items, and in particular strategic issues. He also promotes a culture of openness and debate by facilitating the effective contribution of the Non Executive Directors in particular, and ensuring constructive relations between the Executive and Non Executive Directors.

The Group Chief Executive Officer's key responsibility is the running of the business and his 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.

Excluding the Chairman, all of the Non Executive Directors are independent of management and are determined to be independent in accordance with B.1.1 of the Code. The current Non Executive Directors together have a range of experience which is described in more detail overleaf in the Nominations Committee section.

As stated above, Simon Embley was not deemed to be independent prior to this appointment as Chairman. Other than an appointment to a small estate management company and to Road to Health a healthcare provider, Simon does not hold any other directorships.

During the year the Directors continuously review and are encouraged to provide feedback on the effectiveness of the Board. Further, they undertake an annual evaluation of the performance of the Board which includes an evaluation of the Board, its Committees and of individual Directors (including relevant skills, experience and diversity) to ensure that the Directors remain individually and collectively effective.

The evaluation process in 2015 involved discussions between each Director and the Chairman, meetings of the Board and discussions between the Non Executive Directors. As in previous years the Non Executive Directors have also evaluated the Chairman's performance, after taking into account the views of the Executive Directors.

Whilst no significant issues requiring action arose from the 2015 evaluations, the outcomes of the exercise were reported to the Board and showed that the Board and its Committees were discharging their responsibilities effectively. The appraisal produced a number of recommendations to further improve effectiveness of the Board. As a result, during 2016 the Board will review its meeting arrangements, including the provision of information to Board members, to ensure that the Board is able to focus on the development and execution of LSL's strategy, as well as monitoring performance and governance matters.

During 2016, the Board will continue to monitor the results of the FRC's discussion – UK Board Succession Planning, which was published in October 2015 and which considers key issues and identifies suggestion for good practice. This includes a review of best practice relating to board evaluation and consideration on the role of the nominations committee in succession planning arrangements.

LSL continues to recognise the benefits of diversity (including relevant skills, experience, gender and race) and the current Board composition includes two female Directors, Helen Buck and Kumsal Bayazit Besson, who are both independent Non Executive Directors. Whilst the Directors remain of the view that the setting of targets for the number of female directors on the Board is not necessary and that it will continue to appoint on merit, both the Chairman of the Board and the Chairman of the Nominations Committee ensure that all searches (including those undertaken in 2015) continue to take into account diversity, including gender and race.

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 LSL'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 receives an induction on a range of topics, including as appropriate, 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. Further, the Chairman regularly reviews and agrees any training and development needs with each of the Directors and any training needs are also discussed as part of the annual evaluation exercise.

During 2015 the Board held 14 scheduled meetings (including a three year planning meeting and a strategy meeting). Each of the Directors was able to allocate sufficient time to LSL to discharge their responsibilities effectively and the attendance of each of the Directors at the Board meetings (as a Director or a Committee member) is set out below. During 2016 the Board is scheduled to meet 10 times (including a three year planning meeting and a strategy meeting). Additional meetings will be held as required.

During 2015 the Non Executive Directors collectively met three times without the Executive Directors being present and it is the intention that this will be repeated in 2016. In addition, the Non Executive Directors intend to meet at least once in the year without the Chairman being present.

Board and Committee Attendance 2015

Director	Board (including 3 year planning and a strategy meeting)	Audit Committee	Remuneration Committee	Nominations Committee	Notes
Kumsal Bayazit Besson	4	1	2	1	1
Helen Buck	12	-	5	2	2
Adam Castleton	3	-	-	-	3
Ian Crabb	14	-	-	-	-
Simon Embley	14	-	-	-	
Adrian Gill	14	-	-	-	-
Mark Morris	14	4	6	3	4
Bill Shannon	14	4	6	4	-
David Stewart	7	2	2	2	5

Notes:

1 Kumsal Bayazit Besson joined the Board and its Nominations, Remuneration and Audit Committees on 1st September 2015 and therefore her attendance is only recorded for meetings taking place after her appointment.

2 Helen Buck was not present at two of the scheduled Board meetings, one Remuneration Committee and one Nominations Committee meeting during 2015. She received the papers and provided her comments and queries to the Chairman of the meeting and the Group Chief Executive Officer for raising at the meetings.

3 Adam Castleton joined the Board on 2nd November 2015 and therefore his attendance is only recorded for meetings taking place after his appointment.

4 Mark Morris was not present at one of the Nominations Committee meeting during 2015. He received the papers and provided his comments and queries to the Chairman of the meeting and the Group Chief Executive Officer for raising at the meetings.

5 David Stewart joined the Board and its Nominations, Remuneration and Audit Committees on 1st May 2015 and therefore his attendance is only recorded for meetings taking place after his appointment.

In accordance with LSL's Articles of Association, all of the 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, are required to retire and seek election/re-election (as appropriate). Notwithstanding this, since 2012 LSL has in accordance with best practice and by an amendment to the Nominations Committee Terms of Reference, chosen to adopt annual elections for all Directors and in accordance with this policy, all of the Directors will stand for re-election at the forthcoming AGM.

The Board is primarily responsible for the overall management of the Group and for decisions on Group strategy, including approval of the Group's strategy, its annual business plans and budgets, the interim and full year financial statements and reports, any dividend proposals, the accounting policies, any major capital projects, any investments and disposals, its succession plans and the monitoring of financial performance against budget and forecast and the formulation of the Groups risk appetite including the identification, assessment and monitoring of LSL's principal risks. In accordance with best practice, LSL has adopted a policy of Matters Reserved for the Board which is annually reviewed by the Board and any items not included within the policy (such as responsibility for implementing the Board's strategy and managing the business) are delegated to the Management Team(s).

There is a programme of regular reviews of performance and developing best practice in matters such as employment, health and safety, environmental and social and community interests (including human rights and ethical issues). LSL believes that Corporate Social Responsibility is necessary to support responsibly-grounded business decision making that considers the broad impact of corporate actions on people, communities, and the environment. Accordingly, the Board takes account of the significance of environmental, social and governance matters (ESG) when making decisions. Further details of LSL's CSR objectives can be found in the CSR statement included in this Report.

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 and these arrangements are reviewed annually as part of the Board's evaluation process referred to above.

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

Board Committees

The Board has delegated specific responsibilities to three standing committees of the Board: Nominations, Remuneration and Audit. 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). During 2015, the Board reviewed the Terms of Reference for each of the Committees and during 2016 will continue to review its terms of reference in response to amendments to FRC guidance and the Code.

It is also the intention that Bill Shannon as Chairman of the Nominations Committee and Remuneration Committee and Mark Morris as Chairman of the Audit Committee will both attend the 2016 AGM to answer any questions.

Nominations Committee

Bill Shannon is the Chairman of the Nominations Committee and, as at the date of this Report the other members of the Committee are Helen Buck, Mark Morris, Kumsal Bayazit Besson (appointed on 1st September 2015) and David Stewart (appointed on 1st May 2015).

The Committee met four times in 2015 and the Group Chief Executive Officer, Deputy Chairman, Group HR Director and Company Secretary were invited to attend some of these meetings and assisted the Nominations Committee in its deliberations during this period.

The duties of the Nominations Committee are governed by its Terms of Reference, which was reviewed in 2015 to ensure continued compliance with the Code and its role includes:

a. to regularly review the structure, size and composition (including skills, knowledge and experience) required of the Board and make recommendations to the Board with regard to any changes;

b. prior to recommending any appointments, evaluate the balance of skills, experience, independence and knowledge on the Board, its diversity, including gender and race and in light of this evaluation, prepare a description of the role and capabilities required for each particular appointment;

c. to give full consideration to succession planning for the Directors and senior management (as specified by the Board), taking into account the challenges and opportunities facing LSL, and what skills and expertise are therefore needed on the Board in the future. The plans are also reviewed to ensure orderly succession for appointments to the Board and to senior management, so that LSL maintains an appropriate balance of skills and experience within the Group and on the Board to ensure progressive refreshing of the Board;

d. to recommend to the Board as a whole the selection and appointment of new executive and non executive directors in accordance with the Code, ensuring that any search is conducted, and appointments made, on merit, against objective criteria, with due regard for the benefits of diversity on the Board, including gender and race;

e. report on the nomination of all new Board appointments and undertake an annual performance evaluation to ensure that all members of the Board have devoted sufficient time to their duties;

f. to keep under review the leadership needs of the Group at varying levels with a view to ensuring the continued ability to compete effectively in LSL's marketplaces;

g. to ensure that as part of the process for nominating candidates for any appointments, details are obtained and reviewed of any interests that the candidate may have which conflict or may conflict with the interest of LSL; and

h. to ensure that prior to the appointment of the Chairman, a job description is prepared which includes an assessment of the time commitment expected for the role.

As part of its discussions in 2015 the Nominations Committee considered the composition of the Board and the balance of skills and experience required. These discussions included diversity, and in particular gender and race. In particular the Nominations Committee considered and, where appropriate made recommendations to the Board on the following matters during 2015:

a. The appointment of David Stewart and Kumsal Bayazit Besson into the roles of Independent Non Executive Directors

b. The appointment of Adam Castleton as Group Chief Financial Officer

Whilst an executive search agency assisted in the recruitment of Kumsal Bayazit Besson and Adam Castleton, the Nominations Committee did not require the services of any agency in the appointment of David Stewart nor did it consider any other candidates for this role.

Following the changes in 2015, the LSL Board has expertise in strategy, technology, estate agency, surveying, financial services, the residential housing sector, retail and marketing, operations, business services, entrepreneurial private and public companies, finance, customer and employee matters, and corporate governance.

LSL is committed to promoting diversity throughout the Group. In previous years, LSL has reported on studies undertaken in relation to gender diversity. Whilst the recommendations flowing from these studies continue to be implemented in 2015, LSL undertook an age and gender analysis of its employee opinion survey which revealed that whilst feedback from employees is consistent regardless of gender, there are differences in relation to age groups. This feedback will be taken into account in Group employee initiatives going forward.

Further details of the study together with key performance indicators are set out in LSL's CSR statements included in this Report.

Remuneration Committee

The Remuneration Committee is chaired by Bill Shannon and at the date of this Report its other members are Mark Morris, Helen Buck, Kumsal Bayazit Besson (appointed on 1st September 2015) and David Stewart (appointed on 1st May 2015).

The Committee met three times during the year and the Group Chief Executive Officer, the Chairman, the Group HR Director and the Company Secretary were invited to attend meetings and assist the Remuneration Committee in its deliberations during this period.

The duties of the Remuneration Committee are governed by its Terms of Reference, which were reviewed in 2015 to ensure continued compliance with the Code. The Terms of Reference of the Remuneration Committee are available from the Company Secretary or LSL's website **www.lslps.co.uk**.

The Remuneration Committee has responsibility for determining LSL's policy on the remuneration of Executive Directors and selected senior managers, including pension rights and any compensation payments. It is also responsible for making recommendations for grants of shares under the employee share schemes. The Directors' Remuneration Report provides details of how the Committee has discharged these duties which can be found from page 55 of this Report.

The Remuneration Committee is responsible for ensuring that the Executive Directors and selected senior managers' remuneration is designed to promote the long-term success of LSL and for 2016 they have again recommended performance-related elements which are transparent, stretching and rigorously applied. In discharging its duties, the Remuneration Committee considers LSL's peers and also ensures that a significant proportion of the Executive Directors' remuneration is structured so as to link rewards to corporate and individual performance and that it is sensitive to pay and employment conditions elsewhere in the Group, especially when determining annual salary increases.

During 2015, the Remuneration Committee's overall purpose was to ensure that the levels of remuneration were sufficient to attract, retain and motivate Directors of the quality required to run LSL successfully. In addition, it was responsible for reviewing and making recommendations to the Board on any remuneration arrangements for Executive Directors departed from the Board during the year.

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

None of the current Remuneration Committee members have and nor did the 2015 Remuneration Committee members have any personal financial interest (other than as Shareholders), any conflicts of interest arising from cross directorships; or any day to day involvement in running the business. The Remuneration Committee recognises and manages conflicts of interest when receiving views from the Executive Directors or senior managers about any proposals. The Remuneration Committee makes recommendations to the Board and no Director is permitted to participate in any discussion about their remuneration.

The Remuneration Committee may, in exercising its discretion in relation to the remuneration of Executive Directors and selected senior managers, take into account LSL's performance on governance (including regulatory compliance) and CSR related issues and it ensures that the incentive schemes put in place do not raise any ESG issues by inadvertently motivating irresponsible behaviour.

Audit Committee

The Audit Committee is chaired by Mark Morris and at the date of this Report, its other members are Bill Shannon, Kumsal Bayzit Besson (appointed on 1st September 2015) and David Stewart (appointed on 1st May 2015). At the 2016 AGM, Mark Morris will retire from the Board and its Committee, including as Chairman of the Audit Committee. Subject to him being elected at the AGM, David Stewart will be appointed as Chairman of the Audit Committee, and the Board and Nominations Committee have determined that David Stewart has recent and relevant financial experience as is required by the Code.

The Committee met on four occasions in 2015. LSL's Head of Risk and Internal Audit, the external auditors, the Chairman, the Executive Directors (including the Group Chief Executive Officer and the Group Chief Financial Officer), the Group Financial Controller and the Company Secretary were invited to attend these meetings to assist the Audit Committee in its deliberations during this period. The Audit Committee met with the auditors without the Executive Directors being present twice during 2015.

Further details of the duty and responsibilities of the Audit Committee are shown from page 49 of this Report.

Shareholder Relations

LSL places a great deal of importance on communication with its stakeholders and is committed to establishing constructive relationships with investors and potential 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 such Shareholders to discuss strategy, performance and governance matters and to obtain investor feedback. The views of the Shareholders expressed during these meetings are reported to the Board. In addition presentations will be arranged from time to time for Shareholders and analysts, including after the interim and preliminary results.

Steps are taken to ensure that all members of the Board understand the views of major Shareholders. This is achieved in a number of ways including feedback from the corporate advisors, Executive Directors and the distribution of analysts' reports to the Board.

In addition each year all of the Non Executive Directors, including the Chairman, the Deputy Chairman and the Senior Independent Director, are offered the opportunity to attend meetings with all Shareholders as they require. If any Shareholder or any Shareholder representative groups would like to discuss any issues or concerns with the Non Executive Directors, they can be contacted through the Company Secretary's office (see Shareholder Information at page 154 of this Report for details).

With regard to individual Shareholders, the Board considers that the main forum for communication is at the AGM and all of the current Directors will be available at the 2016 AGM to meet with investors.

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

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 and will be reviewed during 2016 in response to the implementation of the Market Abuse Regulations.

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 Report of the Directors. Please refer to the Report of the Directors for further details.

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

Sapna B FitzGerald
Company Secretary
3rd March 2016

Audit Committee Report

Dear Shareholder

I am pleased to report on the activities of the Audit Committee during the 2015 financial year. The Audit Committee, on behalf of the Board, has ensured that the Annual Report, taken as a whole, is fair, balanced and understandable.

In this report I have detailed how the Audit Committee has discharged its responsibilities.

Members of the Audit Committee have continued to take an active role in understanding the business and the risks and challenges it faces, particularly as the Group has been without a permanent Group Chief Financial Officer for much of the year. Progress has been made on a number of fronts in improving the performance of the Group Finance function and development of our risk framework, but there is further improvement to be delivered under our new Group Chief Financial Officer. Also set out within this part of the Report are details on the processes we have in place to safeguard the independence and objectivity of our relationship with the external auditor and the role played by the Risk and Internal Audit Team to ensure we have in place effective control and risk management processes.

Mark Morris
Chairman of the Audit Committee
3rd March 2016

Roles and Responsibilities of the Audit Committee

During 2015, the duties of the Audit Committee included:

a. to make recommendations to the Board (for it to put to the Shareholders for their approval at a general meeting) on the appointment, re-appointment, or removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
b. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
c. to ensure that the Group's accounting and financial policies and controls are regularly reviewed, proper, effective and adequate;
d. to monitor the integrity of LSL's financial statements and any formal announcements relating to its performance, reviewing significant financial reporting issues and judgements contained in them;
e. to review the effectiveness of the internal control and risk management systems (including the overall risk management framework and its underlying financial, operational and compliance related controls);
f. to oversee the composition of the Internal Audit programme, including its linkage to Group risks, and to assess the effectiveness of the Risk and Internal Audit function (including the appointment/removal of the Group's Head of Risk and Internal Audit);
g. to ensure that internal and external auditing processes are properly co-ordinated and work effectively and to oversee the relationship with the external auditor, including reviewing the scope and results of audits;
h. to review procedures for handling any internal allegations involving potential misconduct;
i. to keep under review the nature and extent of non-audit services provided by the external auditors, taking into account LSL's Auditor Independence Policy; and
j. to report to the Board on how it has discharged its responsibilities.

In carrying out its duties, the Audit Committee took into account the requirements of the Listing Rules (together with any requirements issued by the FCA), the Code and the Guidance on Audit Committees issued by the FRC, together with any requirements of the Board, which are all incorporated into the Audit Committee's Terms of Reference by reference to them.

The Audit Committee has an established programme of work to ensure that each of its responsibilities is covered adequately during the year.

At the date of this Report, Mark Morris is Chairman of the Audit Committee, and he will retire from this role at the 2016 AGM. David Stewart, will subject to his election at the 2016 AGM be appointed as Chairman of the Audit Committee with effect from the AGM.
The Board and Nominations Committee have determined that David Stewart has recent and relevant financial experience as is required by the Code.

What the Audit Committee did in 2015:

The Audit Committee met three times in 2015, during which time the Committee:

a. reviewed the interim and year end results and preliminary announcement;

b. received and considered, as part of the review of the interim and annual financial statements, reports from the external auditor in respect of their review of the interim results and annual financial statements, the audit plan for the year and the results of the annual audit. These reports included the scope of the interim review and annual audit, the approach to be adopted by the external auditor to address and conclude upon key estimates and other key audit areas, the basis on which the auditor assesses materiality, the terms of engagement for the external auditor and an on-going assessment of the impact of future accounting developments on the Group;

c. considered this Report, including the Financial Statements in the context of fairness, balance and understandability to ensure that the Committee was in a position to report to the Board that the Annual Report and Accounts 2015 when taken as a whole is fair, balanced and understandable on the basis that the description of the business agrees with the Audit Committee's own understanding, the risks reflect the issues that concerned the Audit Committee, appropriate weight has been given to the 'good and bad' news, the discussion of performance properly reflects the 'story' of the year and that there is a clear and well-articulated link between all areas of disclosure;

d. considered the effectiveness and independence of the external audit and recommended to the Board for approval by Shareholders at the 2016 AGM, the re-appointment of Ernst & Young as external auditor. The Committee also confirmed its intention to complete an audit services tendering exercise in 2016 ahead of the 2017 financial year;

e. considered the effectiveness of internal audit and agreed the annual Risk and Internal Audit plan, including compliance with both internal standards and external regulatory requirements, and its linkage to Group risks; plus engagement with external consultants on specialist areas as appropriate;

f. received and considered regular reports from the Risk and Internal Audit Team with regard to the control environment of the Group;

g. considered the review of material business risks, including reviewing internal control processes used to identify and monitor principal risks and uncertainties. An update of the Group's principal risks and uncertainties was presented to the Audit Committee for discussion at each meeting and during the year the Audit Committee supported the Board in its robust assessment of LSL's principal risks and the development of the Group's risk appetite framework;

h. evaluated areas for the continued development of financial control structures, including the reporting of PI claims; payment control arrangements; strengthened the role and effectiveness of the Group's finance functions; and the resourcing and control environment in relation to the Group's acquisition activities;

i. continued to develop the systems and controls in place with regard to valuations carried out by the Surveying Division, including strengthening the effectiveness of second-line structures;

j. initiated steps to further enhance the Group's information security arrangements;

k. reviewed the effectiveness of the Group's whistleblowing policy, including logs of any whistleblowing-related incidents;

l. reviewed the Audit Committee's composition and confirmed that there is sufficient expertise and resource for the Audit Committee to fulfil its responsibilities effectively;

m. reviewed the Audit Committee's Terms of Reference; and

n. carried out an annual review of the Audit Committee's performance.

Significant issues considered in relation to the Financial Statements

During the year the Audit Committee, the Management Team, the Head of Risk and Internal Audit together with the external auditor considered and concluded on what the significant risks and issues were in relation to the Financial Statements and how these would be addressed. Areas of particular focus during the year have been:

Significant Judgments in Financial Reporting for 2015	How the Audit Committee Addressed these Judgments
Revenue recognition	The Group sells a number of different products and services and operates in multiple locations throughout the UK. Revenue recognition is considered to be material to the Group although the nature of the revenue recognised in the Group is not considered complex. LSL's Risk and Internal Audit Team performed financial control audits on all key subsidiaries in 2015 which included focus on the revenue cycle with findings reported to the Audit Committee for discussion.
Provision for PI Costs relating to valuation services	Given the materiality of the PI costs provision, the Board receives monthly updates on the status of the provision which includes the status of existing claims and the number and nature of new claims. The Group has historically experienced a high level of claims relating to the 2004 to 2008 high risk lending period, and continues to receive claims relating to valuation work undertaken during this period. During 2015, the Management Team continued to undertake a detailed review on a case-by-case basis of all notifications and claims relating to this period. The review has also included an assessment of the claims and notifications on a case-by-case basis by specialist external legal counsel. The Committee also commissioned Risk and Internal Audit to complete two internal audit reviews of this work and during the year further improvements to the reporting of claims and notifications have also been implemented. The results of the reviews were presented to the Audit Committee and the Board during 2015.
Acquisition accounting	In 2015 the Board approved a number of acquisitions including Thomas Morris and 30 small lettings books. During the year, the Audit Committee has, in relation to the acquisition accounting, reviewed the way in which intangibles and goodwill are recognised, and the treatment of earn-out and other contingent consideration.
Client monies accounts with regard to the Lettings businesses	The Group holds client monies within its Lettings businesses. Neither the client monies, nor the matching liabilities to such clients 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. The Group does have a responsibility to ensure that the money held in the client accounts is appropriate and if required, the Group would make good any shortfall. The client accounts are reconciled at regular intervals (including daily exercises for the larger businesses) and the Risk and Internal Audit Team perform regular client account audits and findings are reported to the Audit Committee.
Other Financial Statement Matters considered by the Committee	**How the Audit Committee Addressed these Judgments**
Going Concern	The Management Team provided the Audit Committee with a paper on the ability of the Group to continue as a going concern. This paper considered the future profitability of the Group, forecast of future cash flows, banking covenants, liquidity of investments and joint ventures and the ability of the Group to re-finance any loans (including the Group's facility which is due to mature in August 2017) where necessary. The key judgments, assumptions and estimates underpinning this review were discussed and considered. Following the review, the Audit Committee was able to conclude that the adoption of the going concern principle was justified for the foreseeable future.
Viability Statement	The Management Team provided the Audit Committee with a paper on the financial viability of the Group, which was determined over a three year period, which is consistent with the period of the Group's strategic plan. This paper included a review of the principal risks, and considered which of these risks might threaten the Group's viability. It also considered and modelled a number of severe but plausible scenarios. The scenario modelling considered a significant downturn in the property market, plus scenarios involving conflating smaller risks, and took into account the Group's ability to refinance its facility, which is due to mature in August 2017. The key judgments, assumptions and modelling underpinning the review were discussed and considered. Following the review, the Audit Committee was able to approve the statement and recommend its adoption by the Board.

Treatment of exceptional items	The Audit Committee has, in line with FRC guidance, reviewed the Group's previous accounting policy with regard to the classification of items as exceptional.
Available for sale assets	The Group holds minority shareholdings in Zoopla, VEM and the GPEA. The Audit Committee has considered the fair value of these holdings for the inclusion in the Group's balance sheet.
Impairment of goodwill and intangible assets	The Management Team annually provide the Audit Committee with a paper supporting the review of goodwill to assess whether any impairment is required. Based on the work performed, the Audit Committee was able to conclude that no impairment was necessary to the goodwill or intangible assets as at 31st December 2015. Further information is provided in the Notes to the Financial Statements.
Taxation	The Audit Committee has received reports from the Management Team on the tax provisions recorded in the Financial Statements.
Misstatement due to fraud and error	The Management Team submit regular reports and updates to the Audit Committee on the Group's fraud prevention arrangements, including details of any incidences of any actual or suspected circumstances.
LMS	The Group acquired 33.33% of LMS in 2011 and increased its holding to 49.99% in 2014 with part of the contingent consideration for the 2014 acquisition deferred for payment in 2016, based on LMS's performance in 2015. Accordingly, during 2015, the Audit Committee has considered the accounting treatment of the contingent consideration.

Appointment of External Auditor

Whilst the Audit Committee has not undertaken a tendering exercise in 2015, it has conducted a review of the auditor's effectiveness, independence and objectivity. In making its assessment of the effectiveness of the external audit, the Audit Committee reviewed the external audit findings and the Management Team's responses to these findings. In addition, discussions were held with the Risk and Internal Audit Team and Management Teams with regard to the effectiveness of the audit process.

Taking into account the abovementioned factors, the Audit Committee, acting on behalf of the Directors, has concluded that Ernst & Young is effective, independent and objective, and based on this conclusion, the Board will recommend to Shareholders the reappointment of Ernst & Young as external auditor at the 2016 AGM and seek authority for the Directors to agree the external auditor's remuneration.

During 2014, the European Parliament and Council adopted measures which will reform the statutory audit market and impact all UK listed companies. The new Directive (which amends the existing 2006 Directive), will be implemented into UK law by 16th June 2016, requiring UK listed companies to change their external auditor every 10 years with effect for financial years beginning on or after 17th June 2016.

LSL is closely monitoring the implementation of the EU Audit Directive and Regulation into the UK. Ernst & Young have acted as LSL's external auditors since 2004 with a tendering exercise undertaken in 2007. In accordance with the draft guidance included within the Department of Business Innovation and Skills consultation, which was published in October 2015, Ernst & Young's current term will expire at the end of 2016 and LSL will be required to conduct an audit tendering exercise ahead of the 2017 audit. Ernst & Young will be eligible to participate in this tendering exercise, although their total term will be subject to a 20 year cap. LSL will continue to monitor the implementation of the reforms into UK law and notes the content of the feedback document published by the Department of Business Innovation and Skills in January 2016.

The purpose of the audit tendering exercise will be to benchmark the quality and effectiveness of the services provided by the incumbent auditor against those offered by other firms, with the aim of obtaining the best quality and most effective audit.

Auditor Independence Policy

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 (Auditor Independence Policy). The Audit Committee is kept regularly informed of the fees paid to the auditor in all capacities.

Under the terms of the Auditor Independence Policy, which takes into account the relevant ethical guidance regarding the provision of non-audit services by external audit firms, the following categories of fee need pre-approval from the Audit Committee:

a. any fee for specific non-audit services which exceed £25,000;
b. any fee which has a contingent element; and
c. where the total of the fees for non-audit services in any particular year is likely to exceed the audit fee for the year.

The Auditor Independence Policy stipulates restrictions and procedures in relation to the potential allocation of non-audit work to the auditor. These include categories of work which may and may not be allocated to the auditor, subject to certain provisions as to materiality, nature of and competency to perform work.

A copy of the Auditor Independence Policy is available at LSL's website: (www.lslps.co.uk).

The split between audit and non-audit fees for 2015 appears at Note 9 to the Financial Statements. The non-audit fees amounted to £60,000 (2014: £83,000) compared with audit fees and other assurance related services fees of £432,300 (2014: £271,000). This is in line with the provisions of the Auditor Independence Policy. The non-audit fees for the current and prior year relate to taxation services.

Internal Controls

The Board has overall responsibility for LSL's system of internal controls and for reviewing its effectiveness. The system of internal controls is subject to an on-going process of change and improvement, and was originally designed in accordance with the guidance of the Turnbull Committee on Internal Controls and it is regularly reviewed and was updated in 2015 to take into account the guidance set out in the September 2014 FRC "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting".

The arrangements in place for 2015 sought to identify, evaluate and manage significant risks faced by LSL, including assessments of risk appetite levels and measures to define levels of existing risk in relation to tolerable boundaries. The system aimed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Internal control facilitates the effectiveness and efficiency of LSL's operations, helps to ensure the reliability of internal and external reporting and assists compliance with laws and regulations. The internal controls are also in place to safeguard both Shareholder investment and LSL's assets.

In order to discharge this responsibility, the Board has established the procedures necessary to apply both the Code and relevant FRC guidance, including clear operating procedures, distinct lines of responsibility and delegated authorities. LSL's risk management and internal control procedures and framework has continually evolved since LSL was listed on the London Stock Exchange in 2006 and is regularly reviewed by the Board and the Audit Committee and continues to be in place up to the date of this Report. The risk framework will continue to evolve in 2016 in line with emerging best practice.

LSL's risk management and internal control framework is made up of the following parts:

a. Risk assessment
b. Control environment
c. Control activities
d. Monitoring
e. Information and communication

In particular, the Group has in place internal control and risk management systems in relation to LSL's financial reporting procedures and the 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 IFRS or UK Generally Accepted Accounting Principles, as appropriate, and that require reported data to be reviewed and reconciled.

Further, 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 latest forecast, 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.

In addition, LSL has established a Financial Services Management Committee (FSMC) and a Financial Services Risk Committee (FSRC) which are both Executive Committees with roles and responsibilities relating to the management of LSL's FCA regulated Financial Services businesses. Equivalent governance bodies also exist for other business operations, for example, the Estate Agency Management Committee. The Audit Committee and the Board receives regular reports from the FSMC and FSRC along with updates from the Group's Customer Outcomes Committee, whose focus is to monitor key performance indicators in relation to LSL's key customer groups, being consumers and key lender clients.

During 2015 the Executive Directors have regularly identified, evaluated and managed the principal risks and uncertainties which could adversely affect LSL's business, operating results and financial condition. The effectiveness of the internal control system and risk management process is also kept under review by the Audit Committee and has been reviewed by the Board during 2015 as part of an annual review which considered the effectiveness of the risk management arrangements and internal control systems. This review covered all material controls, including financial, operational and compliance controls. In addition, LSL's Risk and Internal Audit Team 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.

During the year the Committee reviewed progress on a number of matters identified in 2014 intended to improve the control environment, in particular the effectiveness of the Group Finance function as a second line of defence. Whilst progress has been made on a number of fronts, because the Group has not had a permanent Chief Financial Officer for much of the year there is still work to be done. The Committee will closely monitor progress on these outstanding matters during 2016.

The principal risks and uncertainties facing LSL together with details of key mitigation initiatives is set out in the Strategic Report on pages 22 and 25.

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

Mark Morris
Chairman of the Audit Committee
3rd March 2016

Directors' Remuneration Report

Annual Statement

Dear Shareholder

This report sets out the remuneration policy for the Directors of LSL and discloses amounts paid to individuals who were members of the Board over the course of the financial year ended 2015. This Directors' Remuneration Report is divided into the following three sections:

- **Annual Statement**: summarising and explaining the major decisions on, and any substantial changes to the Directors' remuneration in the year;
- **Directors' Remuneration Policy**: setting out the basis of remuneration for the Directors that has applied since the three-year policy was approved by shareholders at the 2014 AGM; and
- **Annual Report on Remuneration**: setting out the remuneration earned by the Directors in the year ended 31st December 2015 and how the Directors' Remuneration Policy will be implemented in 2016.

The Directors' Remuneration Policy (referred to in this Directors' Remuneration Report as the Policy) is subject to a binding vote every three years (sooner if changes are made to the Policy) whereas the Annual Statement and Annual Report on Remuneration are subject to an annual Shareholder advisory vote and will be presented to Shareholders at the 2016 AGM.

The Policy was submitted to and was approved by Shareholders at the 2014 AGM and, as no changes to the Policy have been proposed, it is not being submitted for Shareholder approval at the 2016 AGM although changes introduced by the Code (September 2014) have been taken into account in the implementation of the Policy during 2016 (see the Annual Report on Remuneration for further details).

Summary of LSL's performance in the year

In 2015 LSL made good progress against a backdrop of rapidly changing market conditions and the 2015 Executive Directors' bonus awards reflect this. The 2015 bonus scheme was made up of 80% based on LSL's financial performance plus 20% based on individually agreed non-financial measures. The Executive Directors' bonus scheme is subject to a 100% of basic salary cap.

Based on LSL's performance in 2015, eligible Executive Directors received an annual bonus equivalent to between 35% and 80% of salary in respect of the financial performance element and between 10% and 13.3% of the available 20% of salary for performance against individual non-financial measures.

Further, Simon Embley and Ian Crabb are expected to receive 66.81% of their 2013 LTIP awards in accordance with the challenging performance conditions based on the Earnings Per Share (EPS) and Total Shareholder Return (TSR). The awards which are due to vest in April 2016 are expected to deliver based on the EPS element of the targets only. Further details of incentive payments are set out in the Annual Report on Remuneration.

Summary of key decisions in the year

The Remuneration Committee continually reviews the senior executive remuneration policy to ensure it promotes the attraction, motivation and retention of the high quality executives who have been key to delivering LSL's strategy in the past and who will be key to delivering sustainable earnings growth and Shareholder return in the future. The Remuneration Committee's most recent conclusions are that the existing senior executive remuneration policy remains appropriate and should continue to operate for 2016. Specifically, the Remuneration Committee felt that:

a. basic salary levels are considered to be broadly appropriate and in line with the Policy. Details of any basic salary adjustments are set out at the start of the Annual Report on Remuneration;

b. the annual bonus continues to work well; and

c. the long-term incentive grant policy, whereby nil-cost awards are granted annually up to a maximum normal limit of 100% of salary (200% in exceptional circumstances) with vesting based on EPC (70%) and relative TSR (30%) performance conditions and continued service, provides a strong alignment between the senior executive team and Shareholders. The existing LTIP scheme which was put in place in November 2006 is due to expire in November 2016. Accordingly, a replacement plan will be presented for Shareholder approval at the 2016 AGM along with replacement SIP/BAYE, SAYE and CSOP schemes. As the proposed scheme is similar to and based on the 2006 LTIP scheme, no changes are required to the Directors' Remuneration Policy.

In addition to the above, and in relation to the Board changes which took place during 2015, the Remuneration Committee has also dealt with the recruitment of a new Group Chief Financial Officer (Adam Castleton) in November 2015.

Further details of the remuneration packages recommended and received are described in the Annual Report on Remuneration.

In relation to the remuneration arrangements for the Executive Directors and senior managers, the Remuneration Committee ensures that they are aligned to the LSL's strategic goals and key performance indicators. Further, the Remuneration Committee believes that the current remuneration policy continues to promote the long-term success of LSL and to incentivise the delivery of strong yet sustainable financial results with the creation of Shareholder value.

Bill Shannon
Chairman of the Remuneration Committee
3rd March 2016

Directors' Remuneration Policy (Policy)

Introduction and Overview

The Policy was approved by shareholders at the 2014 AGM and the Directors are not recommending any amendments for 2016. A detailed review of the Policy will be carried out in advance of the 2017 AGM, when it is intended that the new Policy will be submitted for Shareholder approval.

The Board recognises that the Directors' remuneration is of legitimate concern to Shareholders and is committed to following current best practice. The Group operates within a competitive environment; performance depends on the individual contributions of the Directors and employees and LSL believes in rewarding vision and innovation.

When setting the Executive Directors' remuneration, the Remuneration Committee endeavours to ensure that all Executive Directors are provided with appropriate profit related pay and an element of pay relates to non-financial performance measures to encourage enhanced performance and that they are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

LSL's policy is to provide executive remuneration packages designed to attract, motivate and retain Executive Directors of the calibre necessary to maintain and improve the Group's profitability and effectiveness and to reward them for enhancing Shareholder value and return. To do this, it aims to provide a market competitive (but not excessive) package of pay and benefits. The Group's general policy is to set basic salaries around mid-market levels and set performance pay levels which are at the upper quartile of market practice but with stretching goals that accord with the Group's general policy of seeking to make bonuses self-financing wherever possible. Remuneration packages will also reflect the Executive Director's responsibilities and contain incentives to deliver the Group's objectives.

As noted in the Remuneration Committee Chairman's Letter on page 55, the Policy has not been updated from that approved by Shareholders at the 2014 AGM, but it is included here for information;

a. the chart showing remuneration scenarios on page 61 has been updated to reflect potential 2016 remuneration levels;

b. details of external appointments of Executive Directors on page 62 has been updated to reflect current appointments; and

c. the tables summarising the terms of Directors' service contracts have been updated to reflect changes to the composition of the Board during 2015.

Consideration of Shareholder Views

The Remuneration Committee considers Shareholder feedback received in relation to LSL's Annual Report and Accounts, including the Directors' Remuneration Report each year at a meeting following publication of the Report. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Group's annual review of the Policy. In addition, the Remuneration Committee will seek to engage directly with institutional Shareholders and their representative bodies should any material changes be made to the Policy. Details of votes cast for and against the resolution to approve last year's Directors' Remuneration Report and any matters discussed with Shareholders during the year are set out in the Annual Report on Remuneration. For further details of the way in which LSL communicates with its Shareholders, please see the Shareholder Relations section of the Corporate Governance Report.

Consideration of Employment Conditions Elsewhere in the Group

The Remuneration Committee considers the general basic salary increase for the broader UK employee population when determining the annual salary increases for the Executive Directors. The Remuneration Committee did not consult with other employees with regard to remuneration of the Executive Directors.

Summary of Remuneration Policy

Element	How component supports corporate strategy	Operation	Maximum	Performance metrics and period
Basic salary	• Reflects the value of the individual and their role. • Reflects skills and experience over time. • Provides an appropriate level of basic fixed income avoiding excessive risk arising from over reliance on variable income.	• Reviewed annually, normally effective 1st January. • Takes periodic account against companies with similar characteristics and sector comparators.	• There is no prescribed maximum annual basic salary increase. • The Remuneration Committee is guided by the general increase for the broader employee population but may decide to award a lower increase for Executive Directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role and/ or to take account of relevant market movements. • Current salary levels are set out in the Annual Report on Remuneration.	• Not applicable.
Annual bonus	• Incentivises annual delivery of financial and strategic goals. • Maximum bonus only payable for achieving demanding targets.	• Targets reviewed annually. • Bonus level is determined by the Remuneration Committee after the end of the relevant financial year, subject to performance against targets set at the start of the year. • Paid in cash. • Not pensionable. • Bonus is subject to a clawback mechanism.	• Maximum: 100% of salary.	• Performance period: one year. • Performance metrics: Group Underlying Operating Profit (majority); and • Non Financial Measures (minority).
Long-term incentive plan (approved by Shareholders in 2006, to be renewed at the 2016 AGM)	• Aligned to main financial measures of delivering sustainable profit growth and shareholder return.	• Awards of nil-cost or conditional shares are made annually with vesting dependent on the achievement of performance conditions over the subsequent three years. • The Remuneration Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures. • LTIP award is subject to a clawback mechanism.	• 100% of salary or grants up to 200% of salary may be made in exceptional circumstances.	• Performance period: normally three years. • Adjusted Basic EPS growth targets; and/or • Relative TSR targets. • 25% vests at threshold (35% for TSR) increasing to 100% at maximum.

Summary of Remuneration Policy continued

Element	How component supports corporate strategy	Operation	Maximum	Performance metrics and period
All-employee sharesave (SAYE, SIP/ BAYE and CSOP) (previously approved by Shareholders to be renewed at the 2016 AGM)	• Encourages long-term shareholding in LSL.	• Invitations made by the Committee under the approved SAYE, SIP/BAYE and CSOP.	• As per HMRC limits.	None.
Share ownership	• To provide alignment between Executive Directors and shareholders.	• Executive Directors are required to build and maintain a shareholding equivalent to one year's basic salary over a period of three years from the date the guidelines were adopted (or from date of appointment if later) through the retention of vested share awards or through open market purchases.	• Minimum of 100% of salary	None.
Benefits	• Provides insured benefits to support the individual and their family during periods of ill health, accidents or death. • Access to car allowance to facilitate effective travel.	• Includes car allowance, life assurance and private medical insurance. Other benefits may be provided where appropriate.	• At cost.	None.
Pension	• Provides modest retirement benefits. • Opportunity for Executive Directors to contribute to their own retirement plan.	• Defined contribution. • HMRC approved arrangement.	• New employees are offered a pension in accordance with auto enrolment minimums. The Remuneration Committee may use its discretion on the appointment of new executive directors to recommend a 5% match of basic salary.	None.
Non Executive Directors	• To provide fees reflecting time commitments and responsibilities of each role, in line with those provided by similarly sized companies.	• Cash fee paid on a monthly basis. • Fees are normally reviewed from time to time.	• There is no prescribed maximum annual fee increase. • The Remuneration Committee is guided by the general increase for the broader employee population scale, scope or responsibility of the role and/or to take account of relevant market movements. • Current fee levels are set out in the Annual Report on Remuneration.	None.

Notes to the Remuneration Policy Summary:

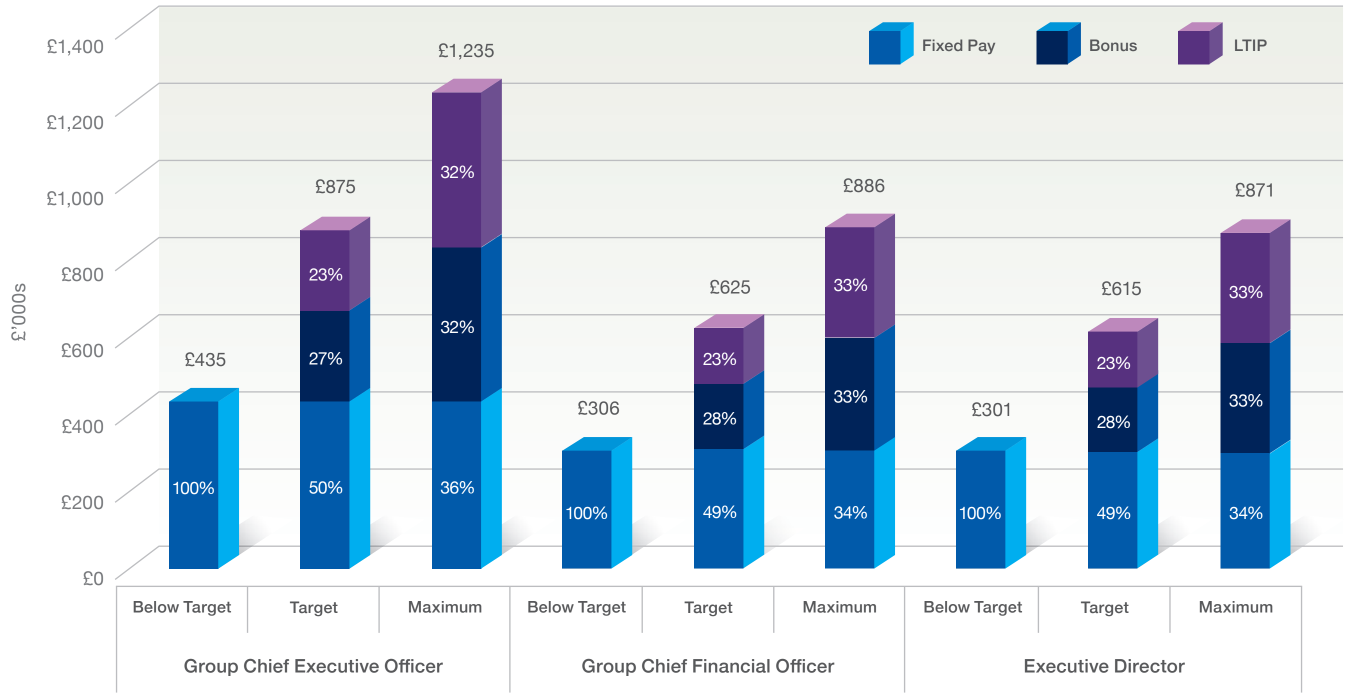
1. A description of how LSL has implemented the Policy set out in the table for 2015 and how it will operate it for 2016 is set out in the Annual Report on Remuneration.
2. The following differences exist between LSL's Policy for the remuneration of Executive Directors as set out in the table and its approach to the payment of Group employees generally:
   a) A lower level of maximum annual bonus (or no bonus) opportunity may apply to employees other than the Executive Directors.
   b) Participation in the long-term incentive plan (LTIP) is limited to the Executive Directors and certain selected senior managers. All employees are eligible to participate in LSL's share save schemes: save as you earn (SAYE), self invested plan/ buy as you earn (SIP/ BAYE); and company share ownership plan (CSOPs) upon invitation.
   c) Benefits that are offered to other employees generally comprise of paid holidays and voluntary benefits such as childcare vouchers, a health cash plan, life assurance and, for more senior managers, private medical insurance.
   d) LSL offers a stakeholder pension scheme with employee and employer contributions for new members calculated at a level which is compliant with automatic enrolment minimums (increasing over time as required by legislation) and based on a band of qualifying earnings which may vary month by month as variable pay fluctuates. The Remuneration Committee may use its discretion on the appointment of new executive directors to recommend a 5% match of basic salary.

In general, the above listed differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals, together with the fact that remuneration of the Executive Directors and selected senior managers typically has a greater emphasis on performance-related pay.

3. The choice of the performance metrics applicable to the annual bonus scheme reflect the Remuneration Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of profit and non-financial measures.
4. The TSR and EPS performance conditions applicable to the LTIP were selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to Shareholders and the Group's financial growth, and they are consistent with LSL's objective of delivering superior levels of long-term value to Shareholders. The TSR performance condition is monitored on the Remuneration Committee's behalf by NBS whilst the Group's EPS growth is derived from the audited financial statements.
5. The Remuneration Committee operates the LTIP in accordance with the plan rules and the Listing Rules of the FCA and the Remuneration Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plan.
6. While LTIP awards currently vest after three years subject to continued service and performance targets, the Remuneration Committee will consider developments in best practice when setting future long-term incentive grant policies.
7. The employee share schemes (SAYE, SIP/BAYE and CSOP) do not include any performance conditions.
8. For the avoidance of doubt, in approving the Policy, authority was given to LSL to honour any commitments entered into with current or former Directors (such as the payment of a pension, payment of last year's annual bonus or the vesting/exercise of share awards granted in the past) that have been disclosed in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Reward Scenarios (Illustration of Application of Remuneration Policy)

The charts below show how the composition of each of the remuneration packages, as applicable for each of the Executive Directors who are currently holding office and how each varies at different levels of performance under the Policy set out above, as a percentage of total remuneration opportunity and as a total value:



Notes to the Reward Scenarios:

1. The 'below target' performance scenario comprises the fixed elements of remuneration only, including:
   a) salary, applying from 1st January 2016;
   b) pension, as per the Policy; and
   c) estimated benefits.
2. The target level of bonus is taken to be 60% of the maximum bonus opportunity (100% of salary), and the on-target level of LTIP vesting is assumed to be 50% of the face value assuming a normal grant level (100% of salary). These values are included in addition to the components/values of minimum remuneration.
3. Maximum remuneration assumes full bonus payout (100% of salary) and the full face value of the LTIP (100% of salary), in addition to fixed components of remuneration.
4. No share price growth has been factored into the calculations.

Approach to Recruitment and Promotions

The remuneration package for a new Executive Director would be set in accordance with the terms of LSL's prevailing approved remuneration policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance has been proven and sustained. The annual bonus potential would be limited to 100% of salary and grants under the LTIP would be limited to 100% of salary or 200% of salary in exceptional circumstances. Further, in exceptional circumstances the Remuneration Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an individual leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with any awards forfeited in terms of vesting periods, expected value and performance conditions.

For an internal candidate being appointed as an Executive Director, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other on-going remuneration obligations existing prior to appointment may continue, provided that they are put to Shareholders for approval at the earliest opportunity.

For external and internal candidate appointments, the Remuneration Committee may agree that LSL will meet certain relocation and/or incidental expenses as appropriate.

In exceptional circumstances the Remuneration Committee may also agree, on the recruitment of a new executive director, a notice period in excess of nine months but with the intention to reduce this to nine months over a specified period.

Service Contracts for Executive Directors

The service contracts for each of the Executive Directors in place at the date of this Report are not fixed term and are terminable by either LSL or the Executive Director on the following bases:

Director	Commencement of Current Service Contract	Notice Period
Ian Crabb	9th September 2013	9 months
Adrian Gill	24th November 2014	9 months
Adam Castleton	2nd November 2015	9 months

At the Remuneration Committee's recommendation and at the Board's discretion, early termination of an Executive Director's service contract can be undertaken by way of payment of salary and benefits in lieu of the required notice period. A summary of the main contractual terms surrounding termination are set out below:

Provision	Detailed Terms
Notice Period	9 months
Termination Payment	Payment in lieu of notice based on basic salary, fixed benefits and pension
Remuneration entitlements	A bonus may be payable (pro-rated where relevant) and outstanding share awards may vest (see below)
Change of control	No Executive Director's service contract contains additional provisions in respect of change of control

At the Remuneration Committee's recommendation and at the Board's discretion early termination of a service contract can be undertaken by way of payment of nine months' salary and benefits. An annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal payout date.

Any share-based entitlements granted to an Executive Director under LSL's share plans will be determined based on the relevant plan rules. However, in certain prescribed circumstances under the LTIP rules, such as death, injury, disability, redundancy, retirement or cessation by reason of the employing company/business ceasing to be a member of the Group, or other circumstances at the discretion of the Remuneration Committee, a "good leaver" status may be applied.

In exceptional circumstances for good leavers, all or part of unvested LTIP awards may vest at the date of cessation of employment. In all other circumstances the awards will vest at the original specified vesting date, unless specifically determined by the Remuneration Committee that the award(s) for an individual will lapse. In exercising its discretion to the extent to which and when an award shall vest the Remuneration Committee will, under the LTIP rules, take into account:

1. the progress made towards meeting the performance conditions;
2. the extent to which it considers the performance condition would have been satisfied by the end of the vesting period;
3. the proportion of the vesting period elapsed; and
4. any other factors which it considers to be relevant.

The Board permits Executive Directors to accept appropriate outside commercial non executive director appointments provided that the aggregate commitment is compatible with their duties as an Executive Director. The Executive Directors concerned may (subject to Board approval) retain fees paid for these services. During 2015, other than Adrian Gill's appointment as a non executive director of Lifetime Legal Limited for which he receives a fee; and Adam Castleton's directorship and 50% ownership of Porten Properties Limited, none of the Executive Directors held any other non executive directorships of any other companies other than to represent the majority or minority interests of the Group or to participate in representative trade bodies.

Non Executive Directors

The Group's policy is to appoint to the Board Non Executive Directors with a breadth of skills and experience that is relevant to the Group's business. Appointments are made by the Board upon the recommendations and advice from the Nominations Committee.

Non Executive Directors, including the Chairman, have letters of appointment which set out their duties and responsibilities. The Non Executive Directors and Chairman are not eligible to participate in incentive arrangements or receive pension provision. The following table shows details of the terms of appointment for the Non Executive Directors in place at the date of this Report:

Director	Date Original Term Commenced	Date Current Term Commenced	Expected Expiry Date of Current Term
Kumsal Bayazit Besson	1st September 2015	–	31st August 2018
Helen Buck	1st December 2011	1st December 2014	30th November 2017
Simon Embley	1st January 2015	–	31st December 2017
Mark Morris	21st November 2006	21st November 2015	28th April 2016
Bill Shannon	7th January 2014	–	6th January 2017
David Stewart	1st May 2015	–	30th April 2018

Annual Report on Remuneration

Implementation of the Remuneration Policy for the year ending 31st December 2016 (unaudited information)

This section of the Directors' Remuneration Report sets out how the Policy will be implemented for the year ending 31st December 2016.

Basic Salary

Executive Directors' basic salaries are reviewed annually by the Remuneration Committee taking into account the responsibilities, skills and experience of each individual, pay and employment conditions within LSL and salary levels within listed companies of a similar size.

Basic salary levels as at 1st January 2016 and 2015 for the current Executive Directors are set out below:

Director	Role	2016 (£)	2015 (£)
Adam Castleton	Group Chief Financial Officer	290,000	290,000
Ian Crabb	Group Chief Executive Officer	400,000	370,000
Adrian Gill	Executive Director, Estate Agency	285,000	280,000

Adam Castleton's salary is from the date of his appointment as an Executive Director and has not been increased for 2016.

Ian Crabb's basic salary was set below market at appointment to reflect his experience at that time and to enable the salary to be moved to a market level over time. Following a detailed review of LSL's and Ian Crabb's performance and his increasing level of experience in the role, the Remuneration Committee awarded an increase from £370,000 to £400,000 from 1st January 2016. The Committee now believes the salary is within the market range for the role and size and complexity of company.

Annual Bonus Payments 2016

The Remuneration Committee will operate an annual bonus plan for Executive Directors during 2016 in line with that operated in 2015. The maximum bonus continues to be capped at 100% of basic salary.

For 2016, the overall structure of the annual bonus will remain broadly similar to that operated in 2015, with sliding scale performance targets based on LSL's budgeted Group Underlying Operating Profit (after the payment of bonuses) for 80% of the potential with the remaining 20% of the potential based on challenging non-financial performance measures.

The Committee has decided not to disclose the non-financial measures or targets (and the relative weighting of each individual target) in advance as they contain items which LSL consider to be commercially sensitive. However, targets will be disclosed in the Annual Report and Accounts 2016, which will be published in 2017. Further, the Remuneration Committee has confirmed that it is satisfied that individual measures are challenging and demanding, and reflect LSL's on-going business expectations and have a clear link to LSL's strategy. The financial performance element of the scheme require LSL's performance to be significantly better than budget for full payout.

Long-Term Incentive Plan (LTIP)

The LTIP continues to be LSL's primary long-term incentive. The current LTIP scheme which was put into place in November 2006, is due to expire in November 2016. Accordingly, a replacement LTIP scheme will be submitted for Shareholder approval at the 2016 AGM along with the SIP/BAYE, SAYE and CSOP schemes. As the proposed 2016 LTIP scheme is very similar to the 2016 LTIP scheme, no changes are proposed to the existing Directors' Remuneration Policy (which was approved by shareholders at the 2014 AGM) to accommodate the new plan. Awards to be granted in 2016 to the Executive Directors and selected senior management will be made over shares worth up to 100% of salary.

Awards will be subject to a range of adjusted earnings per share growth targets (70% of an award) and a TSR condition (for 30% of an award), each applying to separate parts of an award and measured over a period of three years as follows:

1. 25% of the Adjusted Basic EPS part of the award will vest for threshold Adjusted Basic EPS growth increasing pro-rata to full vesting for stretch Adjusted Basic EPS growth. The precise targets will be disclosed in full at the same time as announcing the grants of the awards.
2. 35% of the TSR part of the award will vest if LSL's TSR for the three years from date of grant is equal to the TSR of the median company increasing pro-rata to full vesting of this part of the award for top quartile performance as measured against the constituents of the FTSE 250 (excluding investment trusts). For any part of the TSR part of the award to vest, the Remuneration Committee must also be satisfied that there has been an improvement in LSL's underlying financial performance.

Benefits

Taxable benefits for the Executive Directors will continue to include a car allowance, life assurance and private medical insurance. Benefits in kind are not pensionable and are not taken into account when determining basic salary for performance-related remuneration.

Pension

New executive directors are offered a pension in accordance with auto enrolment minimums. The Remuneration Committee may use its discretion on appointment to recommend a 5% match of basic salary.

Non Executive Directors

The remuneration of the Non Executive Directors is a matter for the Chairman and Executive Directors whilst the remuneration of the Chairman is a matter for the Remuneration Committee. Fees for both Non Executive Directors and the Chairman are reviewed from time to time with regard to time commitment required and the level of fees paid by comparable companies.

A summary of fees for the current Non Executive Directors is as follows:

Director	Notes	2016 (£)	2015 (£)
Kumsal Bayazit Besson		40,000	40,000
Helen Buck		40,000	40,000
Simon Embley	1	130,000	130,000
Mark Morris	2	47,000	47,000
Bill Shannon	3	70,000	70,000
David Stewart	4	40,000	40,000

Notes to summary of fees for the Non Executive Directors:

1 Simon Embley became Non Executive Chairman on 1st January 2015.

2 Mark Morris' fee reflects his role as both Non Executive Director and Chairman of the Audit Committee up to 28th April 2016 (being the date of the 2016 AGM).

3 Bill Shannon's 2015 fee reflects increased responsibilities in his roles as Deputy Chairman, Senior Independent Director and Chairman of the Nominations Committee and the Remuneration Committee. He is also a member of the Audit Committee.

4 Subject to David Stewart's election at the 2016 AGM, his fee will increase to £45,000 from the 28th April 2016 (being the date of the 2016 AGM) to reflect his role as both a Non Executive Director and Chairman of the Audit Committee.

Audited Information

Directors' Remuneration

The Remuneration of the Directors for 2015 was as follows:

	Notes		Basic salary or fees £	Benefits[10] £	Pension contributions £	Annual bonus[11] £	Gain on share Awards[12, 13] £	Other[14, 15] £	Total £
Chairman									
Simon Embley	1	**2015**	**130,000**	**-**	**-**	**-**	**101,310**	**-**	**231,310**
		2014	-	-	-	-	-	-	-
Roger Matthews	2	**2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		2014	100,000	-	-	-	-	-	100,000
Executive Directors									
Adam Castleton	3	**2015**	**48,333**	**2,784**	**-**	**-**	**-**	**100,000**	**151,117**
		2014	-	-	-	-	-	-	-
Steve Cooke	4	**2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		2014	240,000	16,597	12,000	-	-	5,126	273,723
Ian Crabb		**2015**	**365,000**	**15,000**	**18,250**	**345,333**	**156,546**	**-**	**900,129**
		2014	350,000	15,000	17,500	189,000	-	-	571,500
Simon Embley	1	**2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		2014	150,000	15,946	7,500	-	196,932	5,126	375,504
Adrian Gill	5	**2015**	**280,000**	**16,663**	**-**	**126,000**	**-**	**-**	**422,663**
		2014	27,618	1,538	-	-	-	-	29,156
David Newnes	6	**2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		2014	210,000	16,032	10,500	101,500	110,281	5,126	453,439
Non Executive Directors									
Kumsal Bayazit	7	**2015**	**13,333**	**-**	**-**	**-**	**-**	**-**	**13,333**
		2014	-	-	-	-	-	-	-
Helen Buck		**2015**	**40,000**	**-**	**-**	**-**	**-**	**-**	**40,000**
		2014	40,000	-	-	-	-	-	40,000
Adrian Gill	5	**2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		2014	36,953	-	-	-	-	-	36,953
Mark Morris		**2015**	**47,000**	**-**	**-**	**-**	**-**	**-**	**47,000**
		2014	47,000	-	-	-	-	-	47,000
Mark Pain		**2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		2014	3,750	-	-	-	-	-	3,750
Bill Shannon	8	**2015**	**70,000**	**-**	**-**	**-**	**-**	**-**	**70,000**
		2014	45,000	-	-	-	-	-	45,000
David Stewart	9	**2015**	**26,667**	**-**	**-**	**-**	**-**	**-**	**26,667**
		2014	-	-	-	-	-	-	-
Total		**2015**	**1,020,333**	**34,447**	**18,250**	**571,333**	**257,856**	**-**	**1,902,219**
		2014	1,250,321	65,113	47,500	290,500	307,213	15,378	1,976,025

Notes to Directors Remuneration table:

1. Simon Embley moved into the role of Non-Executive Chairman on 1st January 2015.
2. Roger Matthews retired from the Board on 31st December 2014 and no payments were made in 2015.
3. Adam Castleton was appointed as Group Chief Financial Officer on 2nd November 2015.
4. Steve Cooke departed from the Board on 19th December 2014 and no payments were made in 2015.
5. Adrian Gill was appointed to the Board as an Executive Director on 24th November 2014. £35,854 of his 2014 remuneration related to his role as a Non Executive Director. The 2014 fee includes £1,079 paid in respect of consultancy services to the Estate Agency Division.
6. David Newnes retired from the Board on 31st December 2014. The only payment received in 2015 was an annual bonus payment of £101,500 in respect of the 2014 year.
7. Kumsal Bayazit Besson was appointed to the Board on 1st September 2015.

8. Bill Shannon became Senior Independent Director and Deputy Chairman on 1st January 2015.
9. David Stewart was appointed to the Board on 1st May 2015.
10. 'Benefits' refers to benefits in kind, which excludes pension provision and is comprised of private medical cover and company car or car allowance.
11. LSL's performance in 2015 results in the Executive Directors earning an annual bonus of between 35% and 80% of their basic salary in relation to the financial performance element of the scheme. In comparison, LSL's performance in 2014 resulted in the Executive Directors at the time, earning an annual bonus of 40% of their basic salary for the financial performance element of the scheme and total bonuses were capped at 60% of basic salary. See below for further details of the 2015 bonus payments.
12. The gain on share award values for 2015 presented in the table were based on the 2013 LTIP award, which will vest in part during 2016 based on performance of the EPS for the three years ended 31st December 2015. As disclosed in the Annual Report on Remuneration, included in the Annual Report and Accounts 2014, the gain on share award values for 2014 presented in the table were based on the 2012 LTIP award, which vested during 2015 based on performance for the three years ended 31st December 2014. These figures now reflect the actual share price at vesting (337.6 pence).
13. The figure shown for the gain on share award values for 2015 reflects the expected level of vesting for 2013 LTIP awards, at LSL's average share price from 1st October 2015 to 31st December 2015 (318.11 pence). Based on EPS performance for the three-year performance to 31st December 2015, 95.45% of this element (representing 70% of the award) will vest on 2nd April 2016 (for Simon Embley) and 23rd September 2016 (for Ian Crabb). TSR performance will be tested over the three-year period to 1st April 2016; based on forecast TSR performance 1st April 2016 it is expected that 0% of this element (representing 30% of the award) will vest on 2nd April 2016. These figures will be restated in the 2016 Directors' Remuneration Report to reflect the actual share price at vesting.
14. SAYE 2011 awards became exercisable on 1st May 2014. The value shown in the table reflects the difference between the exercise price of the SAYE option (257 pence) and LSL's share price on the date they became exercisable (403 pence).
15. Adam Castleton was not entitled to an annual bonus under the LSL Executive Director bonus arrangements given that he only served 2 months of the 2015 financial year. However, as part of his recruitment arrangements, LSL agreed to compensate him for the annual bonus forgone in respect of leaving his previous employer during 2015. The compensation, which is consistent with the Policy, amounted to £100,000 and will be paid at the normal LSL annual bonus payment date.

Annual Bonus

Annual Bonus Payments 2015 – audited

Set out in the table below is a summary of the Executive Directors' bonus scheme for 2015

Bonus Element	Targets for 2015	Performance against targets for 2015	Bonus Achieved for 2015
Group Underlying Operating Profit up to 80% of basic salary for Ian Crabb and 20% for Adrian Gill	Stepped scale from threshold of £36.8m (12.5%) of this part is payable increasing to £41.6m (100%) of this part is payable.	A bonus of 100% of this element (based on Underlying Operating Profit of £42.9m was awarded to Ian Crabb and Adrian Gill (i.e. 80% of basic salary for Ian, and 20% for Adrian).	Ian Crabb received a total bonus of 93.3% of basic salary. Adrian Gill received a total bonus of 45% of basic salary.
Estate Agency Underlying Operating Profit, up to 60% of basic salary (Adrian Gill only)	Stepped scale from threshold of £24.4m (12.5%) of this part is payable increasing to £31.5m (100%) of this part is payable.	A bonus of 25% of this element (based of Estate Agency Underlying Operating Profit of £26.2m was awarded to Adrian Gill (i.e. 15% of basic salary).	
Non financial measures up to 20% of basic salary	Four targets aligned to the longer term goals of the group.	A bonus of 66.5% this element (13.3% of salary) was awarded to Ian Crabb, and 50% (10% of salary) was awarded to Adrian Gill with regard to these measures.	

The Committee has decided not to disclose the non-financial measures or targets (and the relative weighting of each individual target) in advance as they contain items which LSL consider to be commercially sensitive. The Committee will disclose these targets in the Annual Report and Accounts 2016 which will be published in 2017. Further, the Remuneration Committee has confirmed that it is satisfied that individual measures are challenging and demanding, and reflect LSL's on-going business expectations and have a clear link to LSL's strategy. The financial performance element of the scheme require LSL's performance to be significantly better than budget for full payout.

2013 LTIP Awards (nil cost options)

Director	Date of grant	Basis of award (% of salary)	Number of shares under award	Face value of awards at grant date[1]	Vesting at threshold	Vesting at maximum	Performance period	Expected vesting % in 2015[2]	Expected gain on share awards [3]
Simon Embley	2nd April 2013	100%	**47,685**	**£160,698**	**25% (EPS)** **35% (TSR)**	100%	TSR: three years from grant date EPS: three years to 31st December 2015	66.81%	£101,310
Ian Crabb	23rd September 2013	100%	**73,684**	**£352,946**				66.81%	£156,546

Notes to 2013 LTIP Awards

[1] Based on the number of shares granted multiplied by the share price at the grant date (337 pence for awards granted on 2nd April 2013 and 479 pence for awards granted on 23rd September 2013).

[2] Based on EPS performance for the three-year performance to 31st December 2015, 95.45% of this element (representing 70% of the award) will vest on 2nd April 2016. TSR performance will be tested over the three-year period to 1st April 2016; based on forecast TSR performance to 1st April 2016, it is expected that 0% of this element (representing 30% of the award) will vest on 2nd April 2016.

[3] The expected gain on share award for the 2013 LTIP is calculated using LSL's average share price from 1st October 2015 to 31st December 2015 (318 pence).

[4] Simon Embley's shares awards have been pro-rated to reflect his change of role on 1st January 2015 and his 'good leaver' status under the scheme rules as at the 31st December 2014.

Share Awards Granted During 2015
2015 LTIP Awards (nil cost options)

Details of LTIP awards granted in 2015 are as follows:

Executive Director	Date of grant	Basis of award (% of salary)	Number of shares under award	Face value of awards at grant date[1]	Vesting at threshold	Vesting at maximum	Performance period
Adam Castleton	1st December 2015	100%	94,771	£303,267	25% (EPS) 35% (TSR)	100%	TSR: three years to 31st December 2017 EPS: three years to 31st December 2017
Ian Crabb	16th April 2015	100%	101,648	£373,048			
Adrian Gill	16th April 2015	100%	76,923	£282,307			

Notes to 2015 LTIP Awards

[1] Based on the number of shares granted multiplied by the share price at grant date (367 pence for grants made on 16th April 2015 and 320 pence for grants on 1st December 2015).

[2] An award was made to Adam Castleton on 1st December 2015 in line with his recruitment arrangements.

For awards presented above:

[1] For 70% of awards: 25% of this part of an award will vest for Adjusted Basic EPS growth of 7.5% p.a. increasing pro-rata to 100% of this part of an award vesting for Adjusted Basic EPS growth of 17.5% p.a. for the three years ending 31st December 2017. There is no vesting for Adjusted Basic EPS growth less than 7.5% p.a.

[2] For 30% of awards: 35% of this part of an award will vest for a median TSR for the three years ending 31st December 2017, increasing to 100% vesting of this part of an award for an upper quartile TSR, measured against the FTSE 250 (excluding investment trusts). For the TSR part of an award to vest, the Remuneration Committee must also be satisfied that there has been an improvement in LSL's underlying financial performance.

Payments to Past Directors

David Newnes retired from the Board on 31st December 2014. In line with the Remuneration policy and his 'good leaver' status, a bonus payment £101,500 was made to him on 27th March 2015 in respect of the 2014 year.

Payments for Loss of Office

No payments were made to any Directors relating to loss of office during the year ended 31st December 2015. For details of all payments received by Directors who held office during the year, see the Directors' Remuneration Table.

Outstanding Share Awards

Options granted to Executive and Non-executive Directors to acquire Ordinary Shares in LSL are as follows:

Director	Award type	Date of grant	Share price on grant	Exercise price	As at 1st January 2015	Awards granted	Awards lapsed	Awards exercised	Awards vested	As at 31st December 2015	Exercise period
Adam Castleton	LTIP	1st December 2015	311.25p	nil		94,771				94,771	1st December 2018 to 1st December 2025
Ian Crabb	LTIP	23rd September 2013	479.00p	nil	73,684		–	–	–	73,684	23rd September 2016 to 23rd September 2023
	LTIP	10th April 2014	430.00p	nil	81,395	–	–	–	–	81,395	10th April 2017 to 10th April 2024
	SAYE	1st June 2014	414.00p	416.00p	4,326					4,326	1st June 2017 to 1st December 2017
	LTIP	16th April 2015	364.00p	nil		101,648				101,648	16th April 2018 to 16th April 2025
Simon Embley	JSOP	1st June 2010	271.00p	280.00p	83,929	–	–	–	(83,928)	83,928*	1st June 2013 to 1st June 2020
	CSOP	11th June 2010	240.00p	240.00p	12,500	–	–	–	(12,500)	12,500*	11th June 2013 to 11th June 2020
	LTIP	2nd April 2012	275.00p	nil	83,333	–	(25,000)	–	(58,333)	58,333*	2nd April 2015 to 2nd April 2022
	LTIP	2nd April 2013	337.00p	nil	47,685			–	–	47,685	2nd April 2016 to 2nd April 2023
Adrian Gill	LTIP	16th April 2015	364.00p	nil		76,923				76,923	16th April 2018 to 16th April 2025

* These awards have vested and are currently within the exercise period

Notes Outstanding Share Awards

1. All of the above are scheme interests. Details of long-term incentive awards granted in 2015 are presented in a separate paragraph while details of past awards are presented in last year's Directors' Remuneration Report and are included in Note 12 to the Financial Statements.
2. The Ordinary Share mid-market price ranged from 276 pence to 403 pence and averaged 339 pence during 2015. The share price on 31st December 2015 was 285 pence compared to 298 pence on 1st January 2015.
3. Simon Embley's shares awards have been pro-rated to reflect his change of role on 1st January 2015 and his 'good leaver' status under the scheme rules as at the 31st December 2014.

Directors' Interests in Shares

The interests of the Directors who served on the Board during the year are set out in the table below:

	Shareholdings		Share awards		Total	Executive Director Shareholding guideline[1]
Director	31st December 2015	31st December 2014	Unvested	Vested but unexercised	31st December 2015	(% of basic salary)
Kumsal Bayazit Besson[2]	-	-	-	-	-	N/A
Helen Buck	-	-	-	-		N/A
Adam Castleton[3]	-	-	94,771	-	-	0
Ian Crabb[4]	1,089	531	261,053	-	1,089	0.8
Simon Embley	6,069,509	6,069,509	60,185	142,261	6,129,694	N/A
Adrian Gill[5]	179	-	76,923	-	179	0.2
Mark Morris	53,972	53,972	-	-	53,972	N/A
Bill Shannon	21,274	20,561	-	-	21,274	N/A
David Stewart[6]	-	-	-	-	-	N/A

Notes on Directors' Interest in Shares

1. Executive Directors are required to build and maintain a shareholding equivalent to one year's basic salary over a period of three years from the date the guidelines were adopted (or from date of appointment if later) through the retention of vested share awards or through open market purchases (shareholding guidelines). Calculated based on Shares owned at 31st December 2015, share price at 31st December 2015 of 285 pence per share and the Executive Director's basic salary at 31st December 2015.
2. Kumsal Bayazit Besson joined the Board on 1st September 2015.
3. Adam Castleton joined the Board on 2nd November 2015.
4. Ian Crabb joined the Board on 9th September 2013 and shares have been purchased by Ian as a participant in LSL's SIP/BAYE. The Shares specified in the table were purchased by the Trust at the prevailing market value.
5. Adrian Gill joined the Board on 24th September 2014 and Shares have been purchased by Adrian as a participant in LSL's SIP/BAYE since 1st September 2015. The Shares specified in the table were purchased by the Trust at the prevailing market value.
6. David Stewart joined the Board on 1st May 2015.

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

There have been no changes in the interests of any Director between 1st January 2016 and the date of this Report other than the purchases of Shares by Ian Crabb (167 shares) and Adrian Gill (167 shares) as participants of LSL's BAYE/SIP scheme. These Shares were purchased by the Trust at the prevailing market rate.

No Director has or has had any interest, direct or indirect, in any transaction, contract or arrangement (excluding service agreements), which is or was unusual in its nature or conditions or significant to the business of the Group during the current or immediately preceding financial year.

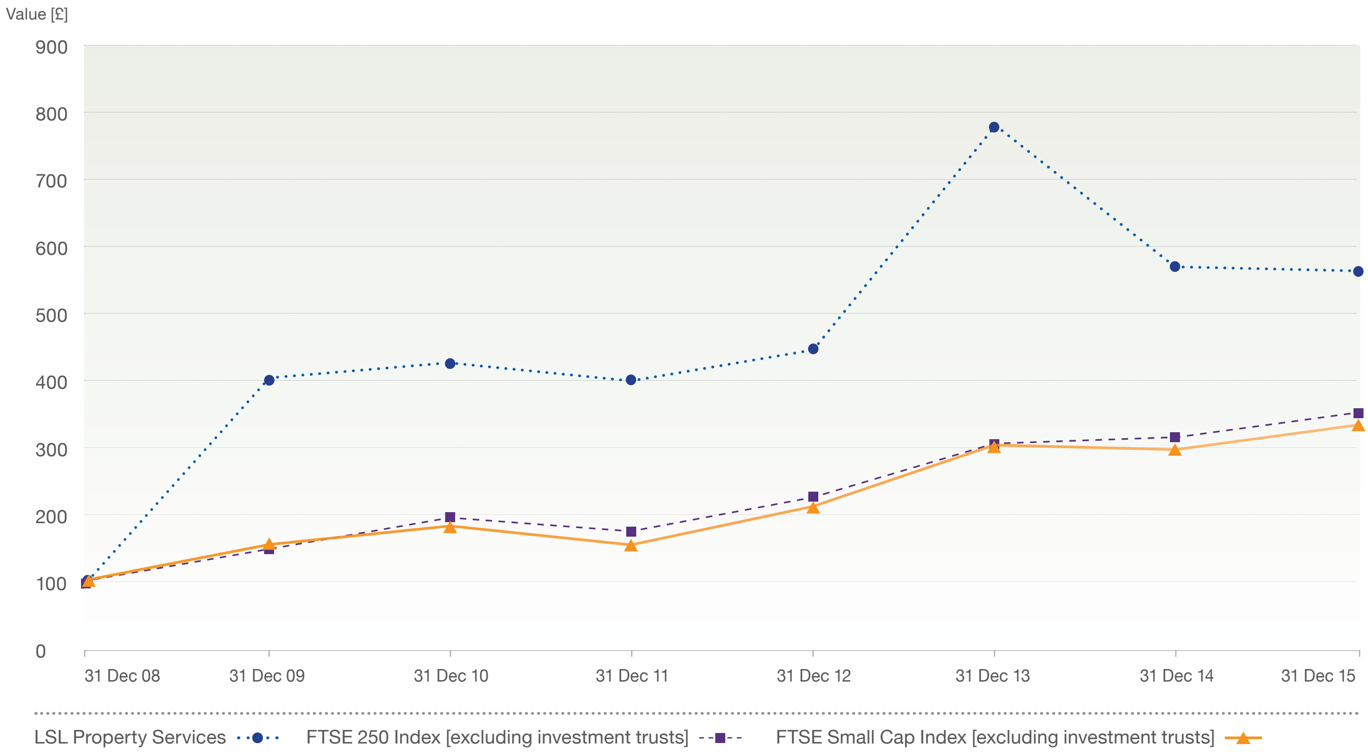
Unaudited Information

Performance Graph and Table

The following graph shows the value, by the 31st December 2015, of £100 invested in LSL compared with the value of £100 invested in both the FTSE Small Cap (excluding investment trusts) Index and the FTSE 250 (excluding investment trusts) Index on 1st January 2009. The FTSE 250 Index has been chosen for consistency with prior years and the FTSE Small Cap Index because LSL is a constituent of the FTSE Small Cap Index. During the period LSL has outperformed both indices.

Total shareholder return

Source: Thomson Reuters Datastream



Group Chief Executive Officer's Total Remuneration

The total remuneration figures for the role of Group Chief Executive Officer during each of the last seven financial years are shown in the table below. The total remuneration figure includes the annual bonus based on that year's performance and share awards (excluding any SAYE or SIP/BAYE awards in the interests of simplicity) based on three year performance periods ending in/just after the relevant year. The annual bonus payout and share vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	Year ending in							
	Simon Embley (to 9th September 2013)					Ian Crabb (from 9th September 2013)		
	2009	**2010**	**2011**	**2012**	**2013**	**2013**	**2014**	**2015**
Total remuneration	£373,754	£517,716	£308,747	£525,018	£500,862[1]	£119,522	£571,500	£900,129
Annual bonus	100%	97.5%	9.6%	60%	91.7%	N/A	54%	93.3%
LTIP vesting	N/A	N/A	N/A	55%	0%	N/A	N/A	66.81%

Notes to Group Chief Executive Officer's Total Remuneration

[1] The total remuneration disclosed for the year ended 31st December 2013 is Simon Embley's total remuneration although he ceased being Group Chief Executive Officer and became Deputy Chairman on 9th September 2013, prior to becoming Chairman on the 1st January 2015.

Percentage Change in Group Chief Executive Officer's Remuneration

The table below shows the percentage change in the Group Chief Executive Officer's salary, benefits and annual bonus between the financial year ending 31st December 2014 and 2015, compared to that of the total remuneration for all employees of the Group for each of these elements of pay.

	Salary Change	Benefits Change	Bonus Change (%)
Group Chief Executive Officer	+5.7%	Nil	82.7%
All employees[1]	+2%	Nil	33.8%
Average number of employees[1]	198		

Notes on Percentage Change in Group Chief Executive Officer's Remuneration:

[1] Refers to a subset of employees outside the commission structure.

Relative Importance of Spend on Pay

The following table shows LSL's actual spend on pay (for all employees) relative to dividends.

	2015 (£m)	2014 (£m)	Change (%)
Staff costs[1]	171.2	167.6	+2.1
Dividends (excluding any special dividend)	12.9	12.6	+2.4
Profit after tax	30.5	25.2	+21.1
Adjusted profit after tax[2]	32.3	31.2	+3.3

[1] See Note 12 of the Financial Statements for calculation of staff costs.

[2] See Note 10 to the Financial Statements.

Statement of Shareholder Voting

The Directors' Remuneration Report for the financial year ending 31st December 2014 was put to Shareholders at the AGM held on 30th April 2015. The voting outcomes were as follows:

	Directors' Remuneration Report	
Votes cast in favour	85,823,219	99.98%
Votes cast against	17,469	0.02%
Total votes cast	85,840,688	100%
Abstentions	973,254	–

Remuneration Committee

Role and Membership

Details of the Remuneration Committee's composition and responsibilities are set out in the Corporate Governance Report at page 47 of this Report. During 2015 the Remuneration Committee was chaired by Bill Shannon and its other members were Kumsal Bayazit Besson, Helen Buck, David Stewart and Mark Morris. The terms of reference of the Committee are available from the Company Secretary or LSL's website at: www.lslps.co.uk.

Committee's Advisers

The Remuneration Committee took independent advice from New Bridge Street (NBS) on matters relating to senior executive remuneration. NBS was appointed by the Remuneration Committee with regard to the disclosures required in the Annual Report and Accounts. NBS provided no other advice to LSL during the year and their fee for 2015 was £17,195 (exc VAT). NBS is considered to be independent and objective.

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

Bill Shannon
Chairman of the Remuneration Committee
3rd March 2016

Financial Statements

In this section

Your Move branch, Barnsley

Independent Auditor's Report

for the year ended 31st December 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LSL PROPERTY SERVICES PLC

Our opinion on the financial statements

In our opinion:

- LSL Property Services plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31st December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

LSL Property Services plc's financial statements comprise:

Group	Parent company
Group income statement for the year then ended	Balance sheet as at 31st December 2015
Group statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Group balance sheet as at 31st December 2015	Cash flow statement for the year then ended
Group statement of changes in equity for the year then ended	Related notes 1 to 17 to the financial statements
Group cash flow statement for the year then ended	
Related notes 1 to 34 to the financial statements	

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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

Risks of material misstatement	• Revenue recognition (including lapse provision) • Recognition and measurement of professional indemnity ("PI") liabilities for inaccurate surveys • Accounting for acquisitions • Client monies
Audit scope	• We performed an audit of the complete financial information of 6 components and audit procedures on specific balances for a further 5 components out of a total of 17 components. • The components where we performed full or specific audit procedures accounted for 95% of profit before tax, 98% of revenue.
Materiality	• Overall group materiality of £1.70m which represents 5% of profit before tax.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Revenue Recognition (including lapse provision) *Refer to the Audit Committee Report (page 49); Accounting policies (page 95); and Note 3 of the Consolidated Financial Statements (page 96)* The Group has reported revenues of £300.60m (2014: £287.50m). We focused primarily on the timing of revenue recognised, as given the number of products and services offered there are inherent complexities surrounding the timing of revenue recognition. In addition the Group earns commissions acting as an agent for the sale of financial services policies. If these policies are subsequently cancelled by the customer then an element of the commission earned has to be repaid. The Group is required to make an estimate based on historical experience of the amount of commission earned that it expects to be repaid as a result of the lapse of policies that have been sold, which is recognised as a reduction in revenue. We identified two specific risks of fraud and error in respect of improper revenue recognition: • Inappropriate cut off of revenue focusing around the year end timing of revenue recognised both through error or management bias • Inaccurate estimate of lapse rates which could lead to revenue being manipulated by understating the provision	We performed full and specific scope audit procedures over this risk area in 8 locations, which covered 91% of the revenue balance and 100% of the lapsed commission provision. • We understood the key processes used to record revenue transactions; • At certain locations we identified and tested key revenue controls; • We performed analytical procedures including data analytics and overall analytical review; • We examined material journal entries that were posted to revenue accounts around the year end; and • We performed detailed cut off testing of revenue transactions either side of the Balance Sheet date. For the estimate of repayable commissions we performed the following: • We obtained management's workings and checked the underlying calculations for arithmetical accuracy; • We tested the integrity of the underlying data used in management's assumptions by selecting a sample of policies that had lapsed and vouching them to claims from the lender and bank statements; and • We identified that each item in our sample had been correctly included in the historical lapse rate calculation.	Based on our audit procedures we concluded that revenue is appropriately recognised in accordance with IAS 18, and that there was no evidence of management override. The lapsed commission rates used to calculate the lapse provision are based on historical trend analysis, and sit within an acceptable range

Risk	Our response to the risk	What we concluded to the Audit Committee
Recognition and measurement of professional indemnity ("PI") liabilities for inaccurate surveys *Refer to the Audit Committee Report (page 49); Accounting policies (page 93); and Note 22 of the Consolidated Financial Statements (page 118)* The Group has recognised a professional indemnity provision of £29.67m (2014: £38.72m) as at 31st December 2015. This is an area of significant judgement and estimation. In particular the Group has historically experienced a high level of claims relating to the 2004 to 2008 period, and valuations work undertaken during this period continues to result in claims being made against the Group. There is a risk that the provision for these claims is significantly different as a result of variations from key assumptions, in particular the incidence of claims, the propensity for claims to result in financial loss and the resultant loss per claim.	We performed the following procedures across one full and one specific scope location providing 100% coverage across the professional indemnity provision. Our procedures have focused on management's estimation process, including whether bias exists in determining the professional indemnity provision. • We recalculated and validated management's calculations, with reference to source documentation; • We compared these calculations to expectations and investigated and corroborated any material variances; • We corroborated material assumptions in relation to the incidence of claims, the propensity for claims to result in financial loss and the resultant loss per claim used by management and verified that these were appropriate; • We interrogated the data around the current level of claims to assess management's assumptions relating to how the level of claims will change over time; • We traced a sample of payments to bank statements and reviewed the post year end settlements against management's estimates in order to assess management's accuracy in estimating claim costs; • We inquired with legal counsel for certain claims and investigations to understand the most current legal standing; and • We reviewed the disclosures included within the financial statements for completeness and appropriateness of the disclosure around the sensitivity of the provision in line with IAS 37.	Based on our procedures we believe that the estimate for PI liabilities is in accordance with IAS 37 and the estimate is within an acceptable range.

Risk	Our response to the risk	What we concluded to the Audit Committee
Accounting for acquisitions *Refer to the Audit Committee Report (page 49); Accounting policies (page 89); and Note 27 of the Consolidated Financial Statements (page 120)* The Group is acquisitive in nature, and acquisitions frequently include earn-out arrangements in respect of key employees. There is a risk that the accounting for acquisitions, including the allocation of the purchase price, the recognition of intangible assets and goodwill and the treatment of contingent consideration and earn-out arrangements is not performed in accordance with IFRS 3. During the year the Group acquired Thomas Morris Ltd as well as a number of small lettings businesses. As at the 31st December 2015, the Group has recognised a financial liability of £9.89m in relation to contingent consideration.	We have performed the following procedures across all material acquisitions within the Group. • We obtained and read all material sales and purchase agreements (SPA); • We verified the appropriateness of the allocation of the purchase price and the recognition of intangible assets. • We identified within the SPA any earn-out and contingent consideration clauses and considered whether these had been appropriately classified as either consideration or remuneration; • For acquisitions that arose in prior periods we tested the subsequent measurement of contingent consideration liabilities with reference to SPA, actual and forecast financial results; and • Review of necessary disclosures in the financial statements, to include the (provisional) allocation of fair values.	Based on our audit procedures we conclude that accounting for acquisitions has been performed correctly in line with IFRS 3. Furthermore, we conclude that financial liabilities held in relation to earn-out arrangements are appropriate.
Client Monies Refer to the Audit Committee Report (*page 49*); and Note 28 of the Consolidated Financial Statements (*page 122*) As at 31st December 2015 the Group holds £93.84m (2014: £82.64m) on behalf of Estate Agency customers. These amounts do not belong to the Group and are held on behalf of clients. There is a risk of loss or misappropriation of monies held which, if it arose, would result in a financial cost to the Group.	We performed procedures across 4 full scope locations and 1 specific scope location providing 100% coverage across the client money balance. We performed the following procedures: • We obtained client account reconciliations and agreed material reconciling items to supporting evidence; • We agreed the amounts held in client monies accounts to the bank letters; and • We performed a cashbook review of the trading accounts, with a particular focus on the appropriateness and cut off of transfers to and from client accounts.	Based on the procedures we have performed we conclude that client monies are appropriately held off balance sheet and reconcile to third party confirmations.

The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

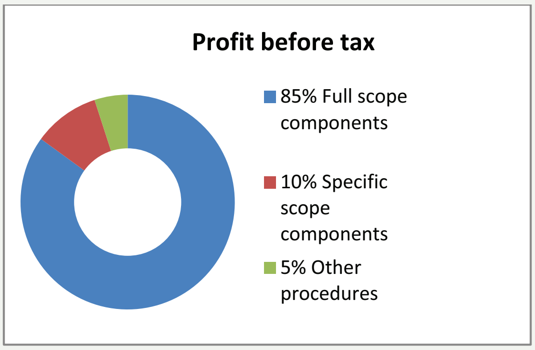
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 17 reporting components of the Group, we selected 11 components covering entities, which represent the principal business units within the Group.

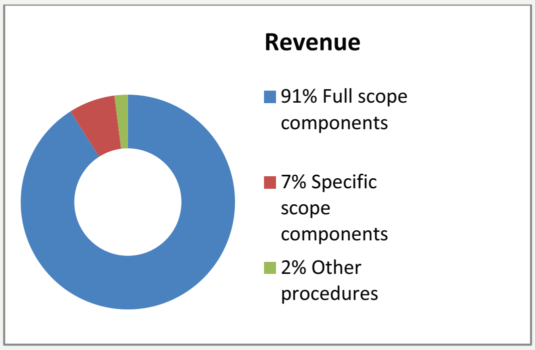
Of the 11 components selected, we performed an audit of the complete financial information of 6 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 5 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 95% (2014: 97%) of the Group's Profit before tax and 98% (2014: 98%) of the Group's Revenue. For the current year, the full scope components contributed 85% (2014: 64%) of the Group's Profit before tax and 91% (2014: 82%) of the Group's Revenue. The specific scope components contributed 10% (2014: 33%) of the Group's Profit before tax and 7% (2014: 16%) of the Group's Revenue. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. The Group audit risk in relation to revenue recognition was subject to audit procedures across all full scope locations and 2 specific scope locations. The Group audit risk in relation to professional indemnity liabilities was subject to specific procedures at one full scope location and one specific scope location. The Group audit risk in relation to acquisition accounting was subject to audit procedures at 5 full scope locations. The Group audit risk in relation to client monies was subject to audit procedures across 4 full scope locations and one specific scope location.

Of the remaining 6 components that together represent 5% of the Group's Profit before tax none are individually greater than 3% of the Group's Profit before tax. For these components, we performed analytical review procedures to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.





Changes from the prior year
The above scope is consistent with the prior year except for the inclusion of one component as full scope this year in comparison to being specific scope in the prior year. In addition one component has changed from full scope to specific scope. These changes in our scope are as a result of our evaluation of the relative size and risk assessment of each location.

Involvement with component teams
All audit work performed for the purposes of the audit was undertaken by the Group audit team. All locations are audited by EY and all reside within the United Kingdom.

Our application of materiality
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £1.70m (2014: £0.5m), which is 5% of profit before tax (2014: 5% of adjusted profit before tax). We believe that profit before tax provides us with an appropriate basis for materiality and is the most relevant performance measure for stakeholders. In the prior year we used an adjusted measure to exclude certain non-recurring exceptional gains; however, such material items were not present for the current year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2014: 50%) of our planning materiality, namely £0.86m (2014: £0.30m). We have set performance materiality at this percentage to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level of £1.70m.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.47m to £0.17m (2014: £0.21m to £0.08m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.09m (2014: £0.03m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 and 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. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 42, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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 Ethical Standards for Auditors.

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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required 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.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the directors' statement in relation to going concern, set out on page 40 and longer-term viability, set out on page 40 ; and • the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Alistair Denton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
3rd March 2016

Notes:

1. The maintenance and integrity of the LSL Property Services plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group Income Statement

for the year ended 31st December 2015

	Note	2015 £'000	2014 £'000
Revenue	3	**300,594**	287,498
Operating expenses:			
Employee and subcontractor costs	12	**(171,216)**	(167,581)
Establishment costs		**(19,012)**	(18,852)
Depreciation on property, plant and equipment	15	**(5,296)**	(4,918)
Other		**(65,180)**	(57,938)
		(260,704)	(249,289)
Other operating income	3	**1,865**	2,404
(Loss)/Gain on sale of property, plant and equipment		**(44)**	13
Group's share of profit after tax in joint ventures	17	**1,156**	1,383
Group operating profit before contingent consideration, exceptional items, amortisation and share-based payments		**42,867**	42,009
Share-based payments	12	**(871)**	(1,775)
Amortisation of intangible assets	14	**(1,803)**	(565)
Exceptional gains	7	**–**	19,841
Exceptional cost	7	**(258)**	(26,035)
Contingent consideration	7	**1,477**	405
Group operating profit	4	**41,412**	33,880
Finance income	5	**5**	14
Finance costs	6	**(2,817)**	(2,181)
Exceptional finance credits	7	**–**	230
Net financial costs		**(2,812)**	(1,937)
Profit before tax	8	**38,600**	31,943
Taxation			
– related to exceptional items and contingent consideration		**52**	1,146
– others		**(8,190)**	(7,931)
	13	**(8,138)**	(6,785)
Profit for the year		**30,462**	25,158
Attributable to			
– Owners of the parent		**30,414**	25,103
– Non-controlling interest		**48**	55
Earnings per share expressed in pence per share:			
Basic	10	**29.7**	24.5
Diluted	10	**29.5**	24.3
Adjusted – basic	10	**31.5**	30.5
Adjusted – diluted	10	**31.3**	30.2

Group Statement of Comprehensive Income

for the year ended 31st December 2015

	Note	2015 £'000	2014 £'000
Profit for the year		**30,462**	25,158
Items to be reclassified to profit and loss in subsequent periods:			
Reclassification adjustments for disposal of financial assets	16	**(440)**	(20,568)
Income tax effect	13	**53**	4,114
Revaluation of financial assets	16	**5,130**	6,903
Income tax effect	13	**(580)**	(1,381)
Net other comprehensive income/(loss) to be reclassified to profit and loss in subsequent periods:		**4,163**	(10,932)
Total other comprehensive income/(loss) for the year, net of tax		**4,163**	(10,932)
Total comprehensive income for the year, net of tax		**34,625**	14,226
Attributable to			
– Owners of the parent		**34,577**	14,171
– Non-controlling interest		**48**	55

Group Balance Sheet

for the year ended 31st December 2015

Company No. 05114014

	Note	2015 £'000	2014 £'000
Non-current assets			
Goodwill	14	**136,395**	131,560
Other intangible assets	14	**30,517**	20,110
Property, plant and equipment	15	**19,393**	20,272
Financial assets	16	**28,871**	23,033
Investments in joint ventures	17	**8,778**	9,121
Total non-current assets		**223,954**	204,096
Current assets			
Trade and other receivables	18	**35,366**	36,165
Cash and cash equivalents	19	**5,603**	–
Total current assets		**40,969**	36,165
Total assets		**264,923**	240,261
Current liabilities			
Financial liabilities	21	**(15,777)**	(4,659)
Trade and other payables	20	**(50,102)**	(50,336)
Current tax liabilities	13	**(2,525)**	(373)
Provisions for liabilities	22	**(12,100)**	(16,539)
Total current liabilities		**(80,504)**	(71,907)
Non-current liabilities			
Financial liabilities	21	**(52,511)**	(56,420)
Deferred tax liability	13	**(6,927)**	(6,462)
Provisions for liabilities	22	**(17,625)**	(22,372)
Total non-current liabilities		**(77,063)**	(85,254)
Total Liabilities		**(157,567)**	(157,161)
Net assets		**107,356**	83,100
Equity			
Share capital	24	**208**	208
Share premium account	25	**5,629**	5,629
Share-based payment reserve	25	**3,564**	3,498
Treasury shares	25	**(5,988)**	(7,922)
Fair value reserve	25	**20,878**	16,715
Retained earnings		**82,880**	64,835
Equity attributable to owners of parent		**107,171**	82,963
Non-controlling interests		**185**	137
Total equity		**107,356**	83,100

The Financial Statements were approved by and signed on behalf of the Board by:

Ian Crabb
Group Chief Executive Officer
3rd March 2016

Adam Castleton
Group Chief Financial Officer
3rd March 2016

Group Statement of Cash Flows

for the year ended 31st December 2015

	Note	31st December 2015 £'000	31st December 2015 £'000	31st December 2014 £'000	31st December 2014 £'000
Cash generated from operating activities					
Profit before tax			**38,600**		31,943
Adjustments to reconcile profit before tax to net cash from operating activities					
Exceptional operating items and contingent consideration	7	**(1,219)**		4,324	
Amortisation of intangible assets	14	**1,803**		565	
Finance income	5	**(5)**		(14)	
Finance costs	6	**2,817**		2,181	
Exceptional finance (credit)	7	**–**		(230)	
Share-based payments	12	**871**		1,775	
Total adjustments			**4,267**		8,601
Group operating profit before amortisation and share-based payments			**42,867**		40,544
Depreciation	15	**5,296**		4,918	
Dividend income		**(835)**		(1,579)	
Share of results of joint ventures		**(1,156)**		(1,383)	
Loss/(Gain) on sale of property, plant and equipment and financial assets	8	**(253)**		(48)	
			3,052		1,908
Decrease/(Increase) in trade and other receivables		**975**		(449)	
(Decrease) in trade and other payables		**(1,026)**		(4,263)	
Decrease in provisions		**(9,345)**		(12,075)	
			(9,396)		(16,787)
Cash generated from operations			**36,523**		25,665
Interest paid		**(1,852)**		(1,764)	
Payment of contingent consideration relating to remuneration		**–**		(1,426)	
Loan refinance costs paid				–	
Tax paid		**(5,613)**		(1,339)	
			(7,465)		(4,529)
Net cash generated from operating activities			**29,058**		21,136

Group Statement of Cash Flows continued.

for the year ended 31st December 2015

	Note	31st December 2015 £'000	31st December 2015 £'000	31st December 2014 £'000	31st December 2014 £'000
Cash flows from investing activities					
Cash acquired on purchase of subsidiary undertaking	27	**774**		250	
Acquisitions of subsidiaries and other businesses	27	**(13,202)**		(4,963)	
Payment of contingent consideration		**(4,015)**		–	
Investment in joint venture	17	**–**		(2,422)	
Investment in financial assets	16	**(1,178)**		(1,155)	
Cash received on sale of financial assets		**297**		20,838	
Tax on Sale of Zoopla		**–**		(4,015)	
Dividends received from joint venture		**1,499**		1,302	
Dividends received from financial assets		**549**		1,579	
Interest received	5	**5**		14	
Purchase of property, plant and equipment and intangible assets	14,15	**(7,991)**		(9,244)	
Proceeds from sale of property, plant and equipment	15	**328**		195	
Net cash (expended)/ generated on investing activities			**(22,934)**		2,379
Cash flows from financing activities					
Drawdown of loans		**11,500**		10,000	
Repayment of overdraft		**(718)**		(1,830)	
Repayment of loan notes		**(63)**		63	
Payment of deferred consideration		**–**		–	
Purchase of LSL shares by the employee benefit trust (EBT) (Treasury Shares)		**–**		(5,621)	
Proceeds from exercise of share options		**1,314**		1,690	
Dividends paid	11	**(12,554)**		(28,286)	
Net cash used in financing activities			**(521)**		(23,984)
Net increase/(decrease) in cash and cash equivalents			**5,603**		(469)
Cash and cash equivalents at the beginning of the year			**–**		469
Cash and cash equivalents at the end of the year	19		**5,603**		–

Group Statement of Changes in Equity

for the year ended 31st December 2015

Year ended 31st December 2015

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Treasury shares £'000	Fair value Reserve £'000	Retained earnings £'000	Total equity £'000	Non-controlling interests £'000	Total £'000
At 1st January 2015	**208**	**5,629**	**3,498**	**(7,922)**	**16,715**	**64,835**	**82,963**	**137**	**83,100**
Disposal of financial assets (net of tax)	–	–	–	–	(387)	–	(387)	–	(387)
Revaluation of financial assets (net of tax)	–	–	–	–	4,550	–	4,550	–	4,550
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**4,163**	**–**	**4,163**	**–**	**4,163**
Profit for the year	–	–	–	–	–	30,414	30,414	48	30,462
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**4,163**	**30,414**	**34,577**	**48**	**34,625**
Exercise of options	–	–	(805)	1,934	–	185	1,314	–	1,314
Share-based payments	–	–	871	–	–	–	871	–	871
Dividend payment	–	–	–	–	–	(12,554)	(12,554)	–	(12,554)
At 31st December 2015	**208**	**5,629**	**3,564**	**(5,988)**	**20,878**	**82,880**	**107,171**	**185**	**107,356**

During the year ended 31st December 2015, the Trust acquired no LSL Shares. During the period 551,446 share options were exercised relating to LSL's various share option schemes resulting in the Shares being sold by the Trust. LSL received £1,314,000 on exercise of these options.

Year ended 31st December 2014

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Treasury shares £'000	Fair value Reserve £'000	Retained earnings £'000	Total equity £'000	Non-controlling interests £'000	Total £'000
At 1st January 2014	208	5,629	2,475	(4,292)	27,647	67,567	99,234	82	99,316
Disposal of financial assets (net of tax)	–	–	–	–	(16,454)	–	(16,454)	–	(16,454)
Revaluation of financial assets (net of tax)	–	–	–	–	5,522	–	5,522	–	5,522
Other comprehensive income for the year	–	–	–	–	(10,932)	–	(10,932)	–	(10,932)
Profit for the year	–	–	–	–	–	25,103	25,103	55	25,158
Total comprehensive income for the year	–	–	–	–	(10,932)	25,103	14,171	55	14,226
Investment in Treasury Shares	–	–	–	(5,621)	–	–	(5,621)	–	(5,621)
Exercise of options	–	–	(752)	1,991	–	451	1,690	–	1,690
Share-based payments	–	–	1,775	–	–	–	1,775	–	1,775
Dividend payment	–	–	–	–	–	(28,286)	(28,286)	–	(28,286)
At 31st December 2014	208	5,629	3,498	(7,922)	16,715	64,835	82,963	137	83,100

During the year ended 31st December 2014, the Trust acquired 1,485,000 LSL Shares for £5,621,000. In addition, during the period 669,077 share options were exercised relating to LSL's various share option schemes resulting in the Shares being sold by the Trust. LSL received £1,690,000 on exercise of these options.

Notes to the Group Financial Statements

for the year ended 31st December 2015

1. Authorisation of Financial Statements and statement of compliance with IFRSs

The Group Financial Statements of LSL and its subsidiaries for the year ended 31st December 2015 were authorised for issue by the Board of the Directors on 3rd March 2016 and the balance sheet was signed on the Board's behalf by Ian Crabb, Group Chief Executive Officer and Adam Castleton, Group Chief Financial Officer. LSL is a listed company, in London, incorporated and domiciled in England and Wales and the Group operates a network of estate agencies, surveying and valuation 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 Group Financial Statements have been prepared on a going concern basis and on a historical cost basis, except for available-for-sale financial assets 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 31st December 2015. The Group's Financial Statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

New standards and interpretations
There are no IFRS amendments or IFRIC interpretations effective for the first time this financial year that had a material impact on the Group.

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 on going 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:

Professional indemnity (PI) claims
Significant judgement is required when provisioning for PI claims. Details of key assumptions in these areas are disclosed in Notes 7 and 22 to these Financial Statements. A sensitivity calculation which illustrates the impact of different assumptions on the required PI provision is included in Note 22.

Valuations in acquisitions
The measurement of intangible assets other than goodwill on a business combination involves the estimation of future cashflows and other inputs relevant to the valuation model being applied.

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

Assessment of the useful life of an intangible asset
The consideration of the relevant factors when determining the useful life of an intangible asset requires judgement. Similarly there is also judgement applied when assessing that an intangible asset has an indefinite useful life.

2. Accounting policies (continued)

Contingent consideration

The Group has acquired a number of businesses over the last few years. With regard to a number of these businesses, the Group has put and call options to purchase the remaining interest in these businesses at some point in the future. In accordance with the accounting standards, estimates have been made with regard to the future profitability of these acquisitions and a provision for the cost of acquiring these interests has been recognised. The provisions are disclosed in Note 21 to these Financial Statements. A sensitivity calculation which shows the impact of changes in assumption is shown in Note 29.

Valuation of financial assets

The Group owns minority interests in a number of listed and unlisted entities. In accordance with the accounting standards, these investments are held at fair value and significant judgment is required in assessing this. Further details of the methodology used are disclosed in Note 16 to these Financial Statements. A sensitivity calculation which shows the impact of changes in assumption is shown in Note 29.

Basis of consolidation

Subsidiaries:

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

The Financial Statements of subsidiaries used in the preparation of the consolidated Financial Statements are prepared on the same reporting year as the Parent Company and are based on consistent accounting policies. All intra-Group balances and transactions, including unrealised profits arising from them, are eliminated in full.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

Non-controlling interests:

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Parent Company; and is presented within equity in the consolidated balance sheet, separately from equity attributable to owners of the parent. Losses within a subsidiary are attributed to the non-controlling interest even if it results in a deficit balance.

Interest in Joint Ventures

The Group's investments in its joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss, within Group operating profit, and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture. The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

2. Accounting policies (continued)

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Intangible assets

Business combinations from 1st January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or in other comprehensive income. If contingent consideration is linked to a service condition then expected payments are recognised as remuneration in the profit or loss over the earn-out period.

Where a put and call option is transacted over a non-controlling interest independently of a business combination, the present value of the exercise price of the put and call option is recorded as a liability with a debit to equity. Subsequent movements in the assessment of the exercise price are taken to profit and loss. If the put option lapses, the liability is derecognised with a corresponding adjustment to equity.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criteria are recognised separately from goodwill.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in profit and loss.

Other intangible assets

Intangible assets other than goodwill that are acquired separately are measured at cost on initial recognition. Following the initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

2. Accounting policies (continued)

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:	
Residential Sales customer contracts	– three to ten years
Surveying and Valuation customer contracts	– between three and five years
Lettings contracts	– five years
Order book:	
Estate Agency pipeline	– three months
Surveying pipeline	– one week
Estate Agency register	– twelve months
Others:	
Franchise agreements	– ten years
In-house software	– between three and five years

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are 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 each have an indefinite useful life. This is based on the expectation of the Directors that there is no foreseeable limit to the period over which each of the assets are expected to generate net cash inflows to the businesses and the Directors are confident that trademark registration renewals will be filed at the appropriate time and sufficient investment will be made in terms of marketing and communication to maintain the value inherent in the brands, without incurring significant cost. All brands recognised have been in existence for a number of years and are not considered to be at risk of obsolescence from technical, technological nor commercial change. Whilst operating in competitive markets they have demonstrated that they can continue to operate in the face of such competition and that there is expected to remain an underlying market demand for the services offered. The lives of these brands are not dependent on the useful lives of other assets of the entity.

Impairment
Intangible assets with indefinite useful lives are not amortised but tested for impairment annually either individually or at the cash generating unit level. The useful life of such intangible assets is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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.

2. Accounting policies (continued)

Property, plant and equipment

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

Office equipment, fixtures and fittings	– over three to seven years
Computer equipment	– over three to four years
Motor vehicles	– over three to four years
Leasehold improvements	– over the shorter of the lease term or ten years
Freehold and long leasehold property	– over fifty years or the lease term whichever is shorter

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised. These asset's 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 paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

Income taxes

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

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

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

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

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

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

2. Accounting policies (continued)

Share-based payment transactions

Equity-settled transactions

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

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

Treasury shares

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

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.

Pensions

The Group operates a defined contribution pension scheme for employees in certain Group companies. The assets of the scheme are invested and managed independently of the finances of the Group. The pension cost charge represents contributions payable in the year.

Provisions

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

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Financial assets are derecognised when the Group no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. 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.

2. Accounting policies (continued)

The subsequent measurement of financial assets depends on their classification.

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

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 in other comprehensive income and as a separate component of equity until the investment is de-recognised 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.

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.

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 Group cash flow statement, cash and short term deposits consist of cash and short term deposits.

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 relation to trade receivables carried at amortised cost, 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 de-recognised when they are assessed as uncollectable.

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

Assets carried at cost
If there is objective evidence of 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.

2. Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration receivable, net of 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. Revenue from lettings, asset management and conveyancing fees is recognised on completion of the service being provided.

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.

New standards and interpretations not applied

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1st January 2015 and have not been early adopted:

International Accounting Standards (IAS/IFRSs)		Effective date
IFRS 9	Financial Instruments: Classification and Measurement This final version of IFRS 9 adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments.	1st January 2018
IFRS 15	Revenue from Contracts with Customers This Standard specifies how, and when, an IFRS reporter will recognise revenue, as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.	1st January 2018
IFRS 16	Leases This Standard specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	1st January 2019
Amendment to IAS 1	Presentation of Financial Statements Disclosure initiative to improve presentation and disclosure principles and requirements in existing Standards.	1st January 2016

2. Accounting policies (continued)

The Directors do not anticipate that the adoption of the above standards and interpretations will have a material impact on the Group's Financial Statements, other than additional disclosures, in the period of initial application. This is with the exception of IFRS 16, for which we are currently evaluating the impact.

3. Revenue

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 revenue arises in the United Kingdom.

Revenue is analysed as follows:

	2015 £'000	2014 £'000
Revenue from services	**300,594**	287,498
Operating Revenue	**300,594**	287,498
Rental income	**729**	825
Dividend income	**835**	1,579
Gain on disposal of financial assets	**301**	–
Other operating income	**1,865**	2,404
Finance income	**5**	14
Total revenue	**302,464**	289,916

Dividend income was received in the year from the Group's investments in Zoopla, VEM and GPEA. Further details of LSL's investments are shown in Note 16.

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 Services segment provides services related to the sale and letting of residential properties. It operates a network of high street branches. As part of this process, the Estate Agency Division also provides marketing and arranges conveyancing services. In addition, it provides repossession asset management services to a range of lenders. It also arranges mortgages for a number of lenders and arranges pure protection and general insurance policies for a panel of insurance companies via the estate agency branches, Pink Homes Loans, First Complete, Embrace Mortgage Services, First2Protect and Linear Financial Services. The financial services segment included within the Estate Agency division includes two mortgage and insurance distribution networks providing products and services for sale via financial intermediaries. The results of this financial services segment do not meet the quantitative criteria for separate reporting under IFRS and has therefore been aggregated with those of Estate Agency and Related Services.
- The Surveying and Valuation Services segment provides a valuations and professional survey service of residential properties to various lenders and individual customers.

Each segment has various products and services and the revenue from these products and services are disclosed on pages 16 to 19 under the Business Review section of the Strategic Report.

The Management Team monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the Group Financial Statements. Head office costs, Group financing (including finance costs and finance incomes) and income taxes are managed on a Group basis and are not allocated to operating segments.

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

Operating segments

The following table presents revenue and profit information regarding the Group's operating segments for the financial year ended 31st December 2015 and financial year ended 31st December 2014 respectively.

Year ended 31st December 2015

	Estate Agency and Related Services £'000	Surveying and Valuation Services £'000	Unallocated £'000	Total £'000
Income statement information				
Segmental revenue	236,525	64,069	–	**300,594**
Segmental result:				
– before exceptional costs, contingent consideration, amortisation and share-based payments	31,288	18,104	(6,525)	**42,867**
– after exceptional costs, contingent consideration, amortisation and share-based payments	29,347	17,459	(5,394)	**41,412**
Finance income				**5**
Finance costs				**(2,817)**
Profit before tax				**38,600**
Taxation				**(8,138)**
Profit for the year				**30,462**

	Estate Agency and Related Services £'000	Surveying and Valuation Services £'000	Unallocated £'000	Total £'000
Balance sheet information				
Segment assets – intangible	155,670	11,242	–	**166,912**
Segment assets – other	82,883	8,659	6,469	**98,011**
Total Segment assets	238,553	19,901	6,469	**264,923**
Total Segment liabilities	(43,052)	(42,461)	(72,054)	**(157,567)**
Net assets/(liabilities)	**195,501**	**(22,560)**	**(65,585)**	**107,356**
Other segment items				
Capital expenditure including intangible assets	(7,401)	(590)	–	**(7,991)**
Depreciation	(4,874)	(422)	–	**(5,296)**
Amortisation of intangible assets	(1,798)	(5)	–	**(1,803)**
Share of results of joint venture	1,156	–	–	**1,156**
Professional indemnity claim provision	–	(2,109)	–	**(2,109)**
Onerous leases provision	133	–	–	**133**
Share-based payment	(496)	(640)	265	**(871)**

Unallocated net liabilities comprise plant and equipment (£9,000), other assets (£857,000), cash (£5,603,000), accruals (£1,554,000), financial liabilities (£15,548,000), deferred and current tax liabilities (£9,452,000), revolving credit facility (£45,500,000).

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

Year ended 31st December 2014

	Estate Agency and Related Services £'000	Surveying and Valuation Services £'000	Unallocated £'000	**Total £'000**
Income statement information				
Segmental revenue	225,274	62,224	–	**287,498**
Segmental result:				
– before exceptional costs, contingent consideration, amortisation and share-based payments	33,892	13,331	(5,214)	**42,009**
– after exceptional costs, contingent consideration, amortisation and share-based payments	52,310	(12,611)	(5,819)	**33,880**
Finance income				**14**
Finance costs				**(2,181)**
Exceptional finance credits				**230**
Profit before tax				**31,943**
Taxation				**(6,785)**
Profit for the year				**25,158**

	Estate Agency and Related Services £'000	Surveying and Valuation Services £'000	Unallocated £'000	**Total £'000**
Balance sheet information				
Segment assets – intangible	140,786	10,884	–	**151,670**
Segment assets – other	77,317	10,319	955	**88,591**
Total Segment assets	218,103	21,203	955	**240,261**
Total Segment liabilities	(47,507)	(52,711)	(56,943)	**(157,161)**
Net assets/(liabilities)	**170,596**	**(31,508)**	**(55,988)**	**83,100**
Other segment items				
Capital expenditure including intangible assets	(9,063)	(181)	–	**(9,244)**
Depreciation	(4,425)	(493)	–	**(4,918)**
Amortisation of intangible assets	(559)	(6)	–	**(565)**
Share of results of joint venture	1,383	–	–	**1,383**
Professional indemnity claim provision	–	(26,126)	–	**(26,126)**
Onerous leases provision	217	–	–	**217**
Share-based payment	(683)	(653)	(439)	**(1,775)**

Unallocated net liabilities comprise certain property, plant and equipment (£31,000), other assets (£924,000), accruals (£2,329,000), financial liabilities (£13,060,000), deferred and current tax liabilities (£6,836,000), overdraft of (£718,000), Revolving Credit Facility (£34,000,000).

5. Finance income

	2015 £'000	2014 £'000
Interest receivable on funds invested	5	14

6. Finance costs

	2015 £'000	2014 £'000
Interest on revolving credit facility and overdraft	**1,852**	1,764
Interest on loan notes	**354**	342
Unwinding of discount on professional indemnity provision	**159**	75
Unwinding of discount on contingent consideration	**452**	–
	2,817	2,181

7. Exceptional items and contingent consideration

	2015 £'000	2014 £'000
Exceptional costs:		
Administration centre closure and restructuring costs including redundancy costs	**258**	1,092
Acquisition related costs	**–**	373
Provision for professional indemnity claims/notifications	**–**	24,570
	258	26,035
Contingent consideration on acquisitions	**(1,477)**	(405)
Exceptional gains:		
Gain on disposal of freehold properties	**–**	(35)
Gain on disposal of financial assets	**–**	(19,806)
	–	(19,841)
Exceptional finance credits:		
Movement in fair value of interest rate swap	**–**	(230)
	(1,219)	5,559

Contingent consideration

The credit for consideration on the acquisition (in 2011) of Marsh & Parsons amounted to £3,002,000 (2014: expense £2,281,000). The exceptional contingent consideration credit recognised in the year relating to other acquisitions, primarily a charge for LMS of £2,136,000 and a credit of £611,000 in LSLi (2014: credit of £2,686,000). See Notes 21 and 27 for more details.

Provision for professional indemnity (PI) claims/notifications

Since early 2012 the Group has experienced a high level of claims and notifications relating to the 2004 to 2008 period, which was a period of relatively high risk lending characterised by higher house prices, high loan-to-value ratios and considerable levels of buy-to-let and sub-prime lending. As a result the provision for PI Costs was increased by £17.3m in June 2012 and again by £12.0m in November 2013 and finally by £24.6m in December 2014.

The PI Costs provision at 31st December 2015 was made up of a 'Specific Provision' and 'Incurred But Not Reported' (IBNR). The Specific Provision was based on the Group's review of any notifications or claims which had been made against the Group as at 31st December 2015. The main factors considered in quantifying the Specific Provision were the likelihood that a claim would be successful; an assessment of the likely cost for each claim, including any associated legal costs, and whether any reduction in the claim is considered likely due to contributory negligence of the lender.

The IBNR provision was based on the Directors estimates of the number of claims which would be received in the future with regard to work completed before 31st December 2015. The Directors have then applied an average cost per case, based on historical averages, to estimate the IBNR provision.

This provision represents our current best estimate of likely claims costs but the process of resolving open claims and estimating future claims is on-going.

7. Exceptional items and contingent consideration (continued)

A number of risks and uncertainties remain, in particular the actual monthly run rate of new claims, the date at which the rate of claims will significantly reduce, and the average cost per case both for existing open claims and for claims yet to be received. The cost of these factors could differ materially from the Directors' estimates, which could result in a further provision being required.

At 31st December 2015 the total provision for PI Costs was £29.7m. The Directors have considered sensitivity analysis on the key risks and uncertainties discussed which is set out in Note 22. The Group has continued to build a provision for estimated PI Costs relating to valuations completed since 2009, and an income statement charge has been made in these results, which has been considered as an operating expense rather than as an exceptional cost.

Gain on disposal of financial assets

On 18th June 2014, Zoopla underwent an IPO and successfully completed a listing on the London Stock Exchange. Prior to the IPO, LSL owned 4.91% of Zoopla. Valued at the IPO price of £2.20 per share, LSL's investment was £44,039,000.

As part of the IPO, LSL sold 8,889,317 Zoopla shares at an average price of £2.19 per share. The total gain on sale of the shares was £17,989,000 net of associated costs. On 3rd July 2014, the Group sold a further 926,813 shares as part of the IPO over allotment and received proceeds of £1,978,000, £1,589,000 net of tax. In total, the Group received proceeds net of associated tax costs of £16,814,000. A special distribution of 16.5 pence per share was declared to return this exceptional gain to Shareholders in 2014.

8. Profit before tax

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

	2015 £'000	2014 £'000
Auditor's remuneration (Note 9)	517	354
Operating lease rentals:		
Land and buildings	10,669	11,440
Plant and machinery	4,806	4,661
Loss/(Gain) on sale of property, plant and equipment and financial assets	253	(48)

9. Auditor's remuneration

The remuneration of the auditors is further analysed as follows:

	2015 £'000	2014 £'000
Audit of the Financial Statements	49	46
Audit of subsidiaries	234	222
Audit of the financial statements of the prior period	132	
Total Audit	415	268
Audit related assurance services (interim results review fee)	17	16
Other assurance services	–	3
Tax compliance services	80	59
Tax advisory services	5	8
	517	354

10. Earnings per share (EPS)

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

Diluted EPS amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent Company by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the dilutive potential Ordinary Shares into Ordinary Shares.

			2015			2014
	Profit after tax £'000	Weighted average number of shares	Per share amount Pence	Profit after tax £'000	Weighted average number of shares	Per share amount Pence
Basic EPS	**30,414**	**102,406,770**	**29.7**	25,103	102,479,989	24.5
Effect of dilutive share options		**791,256**		–	925,536	–
Diluted EPS	**30,414**	**103,198,026**	**29.5**	25,103	103,405,525	24.3

There have been no other transactions involving Ordinary Shares or potential Ordinary Shares between the reporting date and the date of completion of these Financial Statements.

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

	2015 £'000	2014 £'000
Group operating profit before contingent consideration, exceptional items, share-based payments and amortisation (excluding non-controlling interest):	**42,819**	41,954
Net finance costs (excluding exceptional and contingent consideration items)	**(2,360)**	(2,167)
Normalised taxation	**(8,193)**	(8,554)
Adjusted profit after tax[1] before exceptional items, share-based payments and amortisation	**32,266**	31,233

Adjusted basic and diluted EPS

			2015			2014
	Adjusted profit after tax[1] £'000	Weighted average number of shares	Per share amount Pence	Adjusted profit after tax[1] £'000	Weighted average number of shares	Per share amount Pence
Adjusted Basic EPS	**32,266**	**102,406,770**	**31.5**	31,233	102,479,989	30.5
Effect of dilutive share options		**791,256**		–	925,536	–
Adjusted Diluted EPS	**32,266**	**103,198,026**	**31.3**	31,233	103,405,525	30.2

Note:

1 This represents adjusted profit after tax attributable to equity holders of the parent. The normalised tax rate in 2015 is 20.25% (2014: 21.5%).

11. Dividends paid and proposed

	2015 £'000	2014 £'000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
2013 Final: 7.2 pence per share	**–**	7,406
2014 Interim: 4.0 pence per share	**–**	4,074
2014 Special dividend: 16.5 pence per share	**–**	16,806
2014 Final: 8.3 pence per share	**8,458**	–
2015 Interim: 4.0 pence per share	**4,096**	–
	12,554	28,286
Dividends on Ordinary Shares proposed (not recognised as a liability as at 31st December):		
Equity dividends on Ordinary Shares:		
Dividend: 8.6 pence per share (2014: 8.3 pence per share)	**8,808**	8,458

12. Directors and employees

Remuneration of Directors

	2015 £'000	2014 £'000
Directors' remuneration (short-term benefits)*	1,626	1,625
Contributions to money purchase pensions schemes (post-employment benefits)	18	47
Share-based payments	226	397
	1,870	2,069

* included within this amount is accrued bonuses of £571,000 (2014: £291,000).

The number of Directors who were members of Group money purchase pension schemes during the year totalled 1 (2014:4). During the year the Directors exercised nil (2014: nil) CSOP options, nil (2014: nil) JSOP options, and nil (2014: 10,506) SAYE options.

Employee numbers and costs

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

	2015 £'000	2014 £'000
Wages and salaries	150,368	147,754
Social security costs	15,891	15,238
Pension costs	2,274	2,335
Total employee costs	168,533	165,327
Subcontractor costs	2,683	2,254
Total employee and subcontractor costs[1]	171,216	167,581
Share-based payment expense (see below)	871	1,775

Note:
1 The total employee and subcontractor costs exclude employees redundancy costs of £258,000 (2014: £1,032,000), which have been shown under Exceptional costs (see Note 7).

The monthly FTE staff numbers (including Directors) during the year averaged 4,677 (2014: 4,760).

	2015	2014
Estate Agency and Related Services	3,935	3,923
Surveying and Valuation Services	742	837
	4,677	4,760

Share-based payments

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

LTIP 2015 vesting conditions

30% of the options vest based on the TSR of LSL as compared to the FTSE 250 index (excluding investment trusts) over the three year performance period:

- If the Group is in the top 25% percentile, all of these options will vest;
- If the Group is at the median 35% will vest;
- Straight line vesting between median and top 25% percentile; and
- Below the median no options vest.

12. Directors and employees (continued)

Share-based payments (continued)

Long-Term Incentive Plan (continued)

70% of the options are based on the adjusted EPS performance over the three financial years starting with the financial year in which the LTIP award is granted:

- If growth is equal to or over (≥) 17.5% p.a. – 100% vest;
- If growth is 7.5% p.a. – 25% vest;
- Straight line vesting between 7.5% p.a. and 17.5% p.a.; and
- If growth is below 7.5% p.a. no options vest.

LTIP 2014 vesting conditions

30% of the options vest based on the TSR of LSL as compared to the FTSE 250 index (excluding investment trusts) over the three year performance period:

- If the Group is in the top 25% percentile, all of these options will vest;
- If the Group is at the median 35% will vest;
- Straight line vesting between median and top 25% percentile; and
- Below the median no options vest.

70% of the options are based on the adjusted EPS performance over the three financial years starting with the financial year in which the LTIP award is granted:

- If growth is ≥ 20% p.a. – 100% vest;
- If growth is 12.5% p.a. – 25% vest;
- Straight line vesting between 12.5% p.a. and 20% p.a.; and
- If growth is below 12.5% p.a. no options vest.

LTIP 2013 vesting conditions

30% of the options vest based on the TSR of LSL as compared to the FTSE 250 index (excluding investment trusts) over the three year performance period:

- If the Group is in the top 25% percentile, all of these options will vest;
- If the Group is at the median 35% will vest;
- Straight line vesting between median and top 25% percentile; and
- Below the median no options vest.

70% of the options are based on the adjusted EPS performance over the three financial years starting with the financial year in which the LTIP award is granted:

- If growth is ≥ 10% p.a. – 100% vest;
- If growth is 7% p.a. – 25% vest;
- Straight line vesting is between 7% p.a. and 10% p.a.; and
- If growth is below 7% p.a. no options vest.

12. Directors and employees (continued)

LTIP 2012 vesting conditions

30% of the options vest based on the TSR of LSL as compared to the FTSE 250 index (excluding investment trusts) over the three year performance period:

- If the Group is in the top 25% percentile, all of these options will vest;
- If the Group is at the median 35% will vest;
- Straight line vesting between median and top 25% percentile; and
- Below the median no options vest.

70% of the options are based on the adjusted EPS performance over the three financial years starting with the financial year in which the LTIP award is granted:

- If growth is ≥ 12% p.a. – 100% vest;
- If growth is 8% p.a. – 25% vest;
- Straight line vesting between 8% p.a. and 12% p.a.; and
- If growth is below 8% p.a. no options vest.

	2015		2014	
	Weighted average exercise price £	Number	Weighted average exercise price £	Number
Outstanding at 1st January	–	1,135,571	–	1,019,483
Granted during the year	–	493,970	–	419,970
Exercised during the year	–	(115,039)	–	–
Lapsed during the year	–	(336,044)	–	(303,882)
Outstanding at 31st December	–	1,178,458	–	1,135,571

There were 64,677 options exercisable at the end of the year (2014: £nil). The weighted average remaining contractual life is 1.36 years (2014: 1.27 years). The weighted average fair value of options granted during the year was £3.13 (2014: £3.92).

Joint Share Ownership Plan (JSOP)

Awards under the JSOP participate in increases in the value of shares in the Company above the share price at the date of grant. Awards comprise of an interest in jointly owned shares (i.e. Ordinary Shares held in co-ownership with the Trust) and a stock appreciation right. A key feature of the JSOP is that individuals are required to purchase their interest in the jointly owned shares and have thereby put their personal capital at risk.

The vesting of JSOP awards granted in 2011 is conditional upon both the following criteria being met:

- LSL's adjusted EPS performance over the three financial years starting with the financial year in which the JSOP award is granted being 10% p.a. or more; and
- LSL's total shareholders' return must exceed that of the FTSE 250 index (excluding investment trusts) over the three year performance period.

12. Directors and employees (continued)

The EPS performance of LSL for the three years ended 31st December 2013 is such that the vesting criteria of the 2011 JSOP was not met and as such these options did not vest in March 2014.

	2015		2014	
	Weighted average exercise price £	Number	Weighted average exercise price £	Number
Outstanding at 1st January	3.20	129,464	3.20	829,836
Exercised during the year	3.20	–	3.20	–
Lapsed during the year	3.20	–	3.20	(700,372)
Outstanding at 31st December	3.20	129,464	3.20	129,464

There were 129,464 options exercisable at the end of the year which relate to the 2010 scheme which vested (2014: 129,464). The weighted average remaining contractual life is nil (2014: nil). The average market value at the date of exercise was £nil (2014: £nil).

Company Stock Option Plan (CSOP)

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

	2015		2014	
	Weighted average exercise price £	Number	Weighted average exercise price £	Number
Outstanding at 1st January	3.72	1,314,246	2.60	607,594
Granted during the year	3.62	243,407	4.16	930,839
Exercised during the year	2.69	(201,795)	2.49	(206,512)
Lapsed during the year	3.91	(147,141)	2.75	(17,675)
Outstanding at 31st December	3.85	1,208,717	3.72	1,314,246

There were 164,367 options exercisable at the end of the year (2014: 128,078). The average market value at the date of exercise was £3.44 (2014: £4.32).

The weighted average fair value of options granted during the year was £1.97 (2014: £2.44). The weighted average remaining contractual life is 1.28 years (2014: 1.75 years).

Save-As-You-Earn scheme

The Group has offered options under the SAYE scheme in each of 2011 to 2014 years. All these offers were open to all qualifying employees and provide for an exercise price equal to the daily average market price on the date of grant. The options will vest if the employee remains in service for the full duration of the option scheme (three years). There are no cash settlement alternatives.

	2015		2014	
	Weighted average exercise price £	Number	Weighted average exercise price £	Number
Outstanding at 1st January	3.56	1,017,127	2.69	1,008,008
Granted during the year	–	–	4.16	567,052
Exercised	2.62	(234,612)	2.57	(462,565)
Lapsed during the year due to employees withdrawal	3.81	(220,174)	2.84	(95,368)
Outstanding at 31st December	3.83	562,341	3.56	1,017,127

The weighted average fair value of options granted during the year was £nil (2014: £2.45) and the weighted average remaining contractual life was 0.8 years (2014: 1.6 years). The average market value at the date of exercise was £3.61 (2014: £4.00).

There were 1,374 (2014: nil) options exercisable at the end of the year.

12. Directors and employees (continued)

Equity-settled transactions

The assumptions used in the estimation of the fair value of equity settled options were as follows:

	LTIP 2015	CSOP 2015
Option pricing model used	BlackScholes	BlackScholes
Weighted average share price at grant date (£)	3.48	3.62
Exercise price (£)	–	3.62
Expected life of options (years)	3 years	3 years
Expected volatility	100%	100%
Expected dividend yield	3.3%	3.3%
Risk free interest rate	1.20%	1.22%

	LTIP 2014	SAYE 2014	CSOP 2014
Option pricing model used	BlackScholes	BlackScholes	BlackScholes
Weighted average share price at grant date (£)	4.30	4.35	4.16
Exercise price (£)	–	4.16	4.16
Expected life of options (years)	3 years	3 years	3 years
Expected volatility	100%	100%	100%
Expected dividend yield	3%	3%	3%
Risk free interest rate	1.84%	1.84%	1.84%

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

	2015 £'000	2014 £'000
Share-based payment charged during the year	871	1,775

A credit of £266,000 (2014: charge £439,000) relates to employees of the Company.

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

13. Taxation

(a) Tax on profit on ordinary activities

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

		2015 £'000	2014 £'000
UK corporation tax	– current year	7,787	6,460
	– adjustment in respect of prior years	391	144
		8,178	6,604
Deferred tax:			
Origination and reversal of temporary differences		(470)	98
Adjustment in respect of prior year		430	83
Total deferred tax (credit)/expense		(40)	181
Total tax charge in the income statement		8,138	6,785

13. Taxation (continued)

The UK standard corporation tax rate has reduced from 21% as at 1st January 2015 to 20% from 1st April 2015 with further reductions to 19% from 1st April 2017 and 18% from 1st April 2020. The effective rate of tax for the year was 21.1% (2014: 21.2%). The effective tax rate for 2015 was decreased as a result of reducing the rate at which deferred tax is provided resulting from the reduction in the headline rate of corporation tax. Deferred tax charged directly to other comprehensive income is £0.5m (2014: credit of £2.7m); this is comprised of a credit of £0.05m and a charge of £1.0m and relates to the disposal and revaluation of financial assets (see Note 16 to the Financial Statements). There is also a credit arising as a result of the impact of rate change on deferred tax of £0.5m. Income tax credited directly to the share-based payment reserve is £nil (2014: £nil).

In July 2015, the UK Government announced proposals to reduce the main rate of corporation tax to 19% from 1st April 2017, and further reduced to 18%, effective from 1st April 2020. As of 31st December 2015 reductions to the main rate of corporation tax to 18% had been enacted. Accordingly, this is the rate at which deferred tax has been provided.

(b) Factors affecting tax charge for the year

The tax assessed in the profit and loss account is higher (2014: lower) than the standard UK corporation tax rate, because of the following factors:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	38,600	31,943
Tax calculated at UK standard rate of corporation tax rate of 20.25% (2014 – 21.5%)	7,816	6,868
Non-taxable income from joint ventures and dividends	(403)	(641)
Benefit of deferred tax asset and brought forward losses not previously recognised	(32)	(249)
Disallowable expenses	381	394
Impact of movement in contingent consideration credited to the Income Statement	(295)	(87)
Share-based payment relief	57	281
Impact of rate change on deferred tax	(207)	(8)
Prior period adjustments – current tax	391	144
Prior period adjustment – deferred tax	430	83
Total taxation charge	8,138	6,785

The major component of expenses not deductible for tax purposes within the tax reconciliation is a permanent disallowance of depreciation on assets which do not qualify for capital allowances. This is a recurring adjustment with the tax impact of approximately £320,000 being broadly consistent with the prior year figure. The remainder of the adjustment relates to non-recurring items of disallowable expenditure, primarily legal and professional fees incurred in relation to capital transactions.

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

	2015 £'000	2014 £'000
Unrecognised deferred tax asset relating to:		
Losses	3,823	2,500
	3,823	2,500

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

13. Taxation (continued)

(d) Deferred tax

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

	2015 £'000	2014 £'000
Net deferred tax liability at 1st January	6,462	9,014
Deferred tax charge/(credit) recognised directly in other comprehensive income	505	(2,733)
Deferred tax (credit)/expense in income statement for the year (Note 13a)	(40)	181
Net deferred tax liability at 31st December	6,927	6,462

Analysed as:

	2015 £'000	2014 £'000
Accelerated capital allowances	(566)	(702)
Deferred tax liability on separately identifiable intangible assets on business combinations	3,265	3,583
Deferred tax on financial assets	4,546	4,105
Deferred tax on share options	(166)	(225)
Other short-term temporary differences	(53)	(188)
Trading losses recognised	(99)	(111)
	6,927	6,462

Deferred tax credit/(expense) in income statement relates to the following:

	2015 £'000	2014 £'000
Intangible assets recognised on business combinations	295	(11)
Accelerated capital allowance	(135)	(55)
Deferred tax on share options	(59)	(121)
Other temporary differences	(61)	6
	40	(181)

At the end of either year there was no unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries.

14. Intangible assets

Goodwill

	2015 £'000	2014 £'000
Cost		
At 1st January	131,560	125,642
Arising on acquisitions during the year	4,835	5,918
At 31st December	136,395	131,560

14. Intangible assets (continued)

	2015 £'000	2014 £'000
Carrying amount of goodwill by operating unit		
Estate Agency and Related Services companies		
Marsh & Parsons	**40,307**	40,307
Your Move	**40,613**	40,191
Reeds Rains	**16,330**	16,047
LSLi	**22,290**	18,160
Pink Home Loans	**2,604**	2,604
First Complete	**3,998**	3,998
Templeton LPA	**336**	336
Others	**348**	348
	126,826	121,991
Surveying and Valuation Services company		
e.surv	**9,569**	9,569
	9,569	9,569
	136,395	131,560

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:

	2015 £'000	2014 £'000
Estate Agency and Related Services companies		
Marsh & Parsons	**11,724**	11,724
Your Move	**2,510**	2,510
Reeds Rains	**1,241**	1,241
LSLi	**1,675**	1,413
Pink Home Loans	**180**	180
	17,330	17,068
Surveying and Valuation Services company		
e.surv	**1,305**	1,305
	1,305	1,305
	18,635	18,373

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 and Related Services companies
  - Marsh & Parsons
  - Your Move (including its share of cash flows from LSL Corporate Client Department)
  - Reeds Rains
  - LSLi, which includes Intercounty, Frosts, JNP, Goodfellows, Davis Tate, Lauristons, Lawlors, Hawes & Co and Thomas Morris[1]
  - Pink Home Loans which includes BDS
  - Templeton LPA
  - St Trinity
  - First Complete
- Surveying and Valuation Services company
  - e.surv

Note:

[1] The Management Team viewed these companies/operating units as part of LSLi for impairment testing purposes. These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

14. Intangible assets (continued)

Estate Agency and Related Services companies
The recoverable amount of the Estate Agency and Related Services companies has been determined based on a value-in-use calculation using cashflow projections based on financial budgets approved by the Board and three year plan. The discount rate applied to cashflow projections is 9.7% (2014:10.6%) and cashflows beyond the three year plan are extrapolated using a nil growth rate (2014: nil).

Surveying and Valuation Services company
The recoverable amount of the Surveying and Valuation Services companies is also determined on a value-in-use basis using cash flow projections based on financial budgets approved by the Board and three year plan. The discount rate applied to the cash flow projections is 9.7% (2014:10.6%). The growth rate used to extrapolate the cash flows of the Surveying and Valuation Services company beyond the three-year plan is nil (2014: nil).

Key assumptions used in value-in-use calculations
The calculation of value-in-use for each of the Estate Agency and Related Services and Surveying and Valuation Services companies is most sensitive to the following assumptions:

- Discount rates
- Market share and market recovery
- Growth rate used in the budget period

Discount rates reflect management's estimate of the post-tax Weighted Average Cost of Capital (WACC) of the Group and this is grossed up to arrive at a pre-tax discount rate (using a tax rate of 20.25%) of 9.7%. This is the benchmark used by management to assess operating performance and to evaluate future acquisition proposals.

Market share and market growth assumptions are important because, as well as using industry data for growth rates (as noted below) management assess how LSL's relative position to its competitors might change over the budget period. The Estate Agency and Surveying markets both showed resilience in challenging markets in the first half of 2015, and showed recovery in the second half. The calculations supporting the impairment test are a 2% p.a. improvement in the housing market in 2016 and flat thereafter.

Growth rate conservatively estimated at nil after the end of the three year plan (2014: nil). Given the housing and mortgage markets are currently considered to be at a low point in the cycle, with transaction volumes at approximately half the long-term average, this estimate is considered conservative.

There has been no impairment in respect of the carrying amount of goodwill or brand (an indefinite useful life asset) held on the balance sheet.

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 recoverable amount to be below the carrying value.

14. Intangible assets (continued)

Other intangible assets

As at 31st December 2015

	Brand Names £'000	Customer Contracts £'000	Insurance Renewals £'000	Lettings Contracts £'000	Order Book £'000	Other[1] £'000	Total £'000
Cost							
At 1st January 2015	18,564	17,598	5,612	2,814	5,451	2,758	52,797
Additions	–	–	–	–	–	3, 230	3,230
Arising on acquisition during the year	262	–	–	8,537	–	181	8,980
At 31st December 2015	18,826	17,598	5,612	11,351	5,451	6,169	**65,007**
Aggregate amortisation and impairment							
At 1st January 2015	191	17,586	5,612	2,404	5,451	1,443	32,687
Charge for the year	–	6	–	1,123	–	674	1,803
At 31st December 2015	191	17,592	5,612	3,527	5,451	2,117	**34,490**
Carrying amount							
At 31st December 2015	18,635	6	–	7,824	–	4,052	**30,517**

As at 31st December 2014

	Brand Names £'000	Customer Contracts £'000	Insurance Renewals £'000	Lettings Contracts £'000	Order Book £'000	Other[1] £'000	Total £'000
Cost							
At 1st January 2014	18,287	17,501	5,612	2,246	5,451	2,105	51,202
Additions	–	–	–	–	–	653	653
Arising on acquisition during the year	277	97	–	568	–	–	942
At 31st December 2014	18,564	17,598	5,612	2,814	5,451	2,758	**52,797**
Aggregate amortisation and impairment							
At 1st January 2013	191	17,464	5,612	2,246	5,451	1,158	32,122
Charge for the year	–	122	–	158	–	285	565
At 31st December 2014	191	17,586	5,612	2,404	5,451	1,443	**32,687**
Carrying amount							
At 31st December 2014	18,373	12	–	410	–	1,315	**20,110**

Note:

1 Other relates to in-house software and Estate Agency franchise agreements.

14. Intangible assets (continued)

The brand value relates to the following:

- Your Move, a network of residential sales and lettings agencies and e.surv, a surveying and valuation company which were acquired by the Group in 2004;
- Reeds Rains, a network of residential sales and lettings agencies which was acquired in October 2005;
- Intercounty, a network of residential sales and lettings agencies which was acquired in February 2007;
- Frosts, a network of residential sales and lettings agencies which was acquired in July 2007;
- JNP, a network of residential sales and lettings agencies which was acquired in September 2007;
- Goodfellows, a network of residential sales and lettings agencies which was acquired in May 2010;
- Pink Home Loans and BDS intermediary networks which was acquired in December 2010;
- Marsh & Parsons, a network of residential sales and lettings agencies which was acquired in November 2011;
- Davis Tate, a network of residential sales and lettings agencies which was acquired in February 2012;
- Lauristons, a network of residential sales and lettings agencies which was acquired in July 2012;
- Walker Fraser Steele, a surveying business which was acquired in June 2013;
- Lawlors, a network of residential sales and lettings agencies which was acquired in September 2013;
- Hawes & Co, a network of residential sales and lettings agencies which was acquired in March 2014; and
- Thomas Morris, a network of residential sales and lettings agencies which was acquired in February 2015.

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.

15. Property, plant and equipment

As at 31st December 2015

	Freehold land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost					
At 1st January 2015	2,138	10,906	359	36,063	**49,466**
Acquisitions during the year	–	–	–	28	**28**
Additions	–	1,065	33	3,663	**4,761**
Disposals	(246)	–	(210)	(113)	**(569)**
At 31st December 2015	**1,892**	**11,971**	**182**	**39,641**	**53,686**
Depreciation and impairment					
At 1st January 2015	300	4,853	197	23,844	**29,194**
Charge for the year	–	902	39	4,355	**5,296**
Disposals	–	–	(129)	(68)	**(197)**
At 31st December 2015	**300**	**5,755**	**107**	**28,131**	**34,293**
Carrying amount					
At 31st December 2015	**1,592**	**6,216**	**75**	**11,510**	**19,393**

15. Property, plant and equipment (continued)

As at 31st December 2014

	Freehold land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost					
At 1st January 2014	1,712	8,416	431	30,647	41,206
Acquisitions during the year	180	–	–	60	240
Additions	–	2,490	–	6,101	8,591
Transfer from assets held for sale	246	–	–	–	246
Disposals	–	–	(72)	(745)	(817)
At 31st December 2014	**2,138**	**10,906**	**359**	**36,063**	**49,466**
Depreciation and impairment					
At 1st January 2014	300	4,137	201	20,338	24,976
Charge for the year	–	716	53	4,149	4,918
Disposals	–	–	(57)	(643)	(700)
At 31st December 2014	**300**	**4,853**	**197**	**23,844**	**29,194**
Carrying amount					
At 31st December 2014	**1,838**	**6,053**	**162**	**12,219**	**20,272**

During the period, a freehold property with a book value totalling £246,000 (2014: £30,000) was sold for net proceeds of £163,000 (2014: £65,000) resulting in a loss on disposal of £83,000 (2014: gain of £35,000). Assets with a book value totalling £82,000 (2014: £nil) were sold for net proceeds of £121,000 (2014: £nil), resulting in a profit on disposal of £39,000 (2014: £nil).

16. Financial assets

Available-for-sale financial assets

	2015 £'000	2014 £'000
Unquoted shares at fair value	**1,774**	1,686
Quoted shares at fair value	**27,097**	21,347
	28,871	23,033
Opening balance	**23,033**	36,574
Additions	**1,178**	1,155
Disposals	**(470)**	(21,599)
Fair value adjustment recorded through reserves	**5,130**	6,903
Closing balance	**28,871**	23,033

The financial assets include unlisted equity instruments which are carried at fair value. Fair value is judgemental given the assumptions required and have been valued using a level 3 valuation techniques (see Note 29). Financial assets also include shares in Zoopla which are listed on the London Stock Exchange and again are carried at fair value. These shares are valued using a level 1 valuation technique.

Zoopla
Zoopla's share price at 31st December 2015 was £2.40 per share. The Directors consider the best estimate of the fair value of LSL's investment in Zoopla to be the current share price which values the Group's stake in Zoopla at £27,097,000. Subsequent to the 2015 interim date, Zoopla completed an anniversary offer allowing LSL to subscribe for a further 619,318 shares at the £2.20 IPO price with a 20% discount. These have been taken up by LSL.

At the same time, a further 169,350 shares were sold through the anniversary member offer at £1.76 with net proceeds of £297,000.

The carrying value of the Group's investment in VEM at 31st December 2015 has been assessed as £912,000 (2014: £824,000), this includes an additional 195 shares acquired in the period for £88,000.

The carrying value of the Group's investment in GPEA at 31st December 2015 has been assessed as £862,000 (2014: £862,000).

17. Investments in joint ventures

	2015 £'000	2014 £'000
Investment in joint ventures	**8,778**	9,121
Opening balance	**9,121**	3,239
Acquisitions	**–**	5,801
Equity accounted profit	**1,156**	1,383
Dividend received	**(1,499)**	(1,302)
Closing balance	**8,778**	9,121

The Group has a 33.33% interest in TM, a joint venture whose principal activity is to provide property searches. The principal place of business of TM is in the United Kingdom.

In July 2011, the Group acquired a 33.33% interest in LMS for a total consideration of £671,000. The principal place of business of LMS is the United Kingdom.

The Group also has a 49.99% interest in LMS, a joint venture whose principal activity is to provide conveyancing panel management services.

In September 2014, the Group increased its ownership interest of LMS to 49.99% for an initial consideration of £2,422,000. The contingent consideration element payable of £3,093,000 will vary based on the future profitability of LMS and is payable in 2016 (see Note 21). The principal activity of LMS is to provide panel management of conveyancing services. The principal place of business of LMS is the United Kingdom.

The share of the assets, liabilities, income and expenses of the joint ventures at 31st December and for the years then ended are as follows:

	2015 £'000	2014 £'000
Share of the joint ventures' balance sheets:		
Non-current assets	**6,547**	6,620
Current assets	**5,478**	5,384
Current liabilities	**(3,247)**	(2,869)
Non-current liabilities	**–**	(14)
Share of net assets	**8,778**	9,121

	2015 £'000	2014 £'000
Share of the joint ventures' results:		
Revenue	**29,319**	26,788
Operating expenses	**(27,631)**	(25,122)
Operating profit	**1,688**	1,666
Finance income	**24**	20
Profit before tax	**1,712**	1,686
Taxation	**(556)**	(303)
Profit after tax	**1,156**	1,383

Non-Current assets include £5,008,000 (2014: £5,008,000) in respect of goodwill arising on the acquisition of shares in LMS.

18. Trade and other receivables

	2015 £'000	2014 £'000
Current		
Trade receivables	**23,234**	24,618
Prepayments and accrued income	**12,132**	11,547
	35,366	36,165

Trade receivables are non-interest bearing and are generally on 4-30 day terms.

As at 31st December 2015, trade receivables with a nominal value of £2,518,000 (2014: £2,184,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2015 £'000	2014 £'000
At 1st January	**2,184**	2,117
Charge for the year	**583**	572
Amounts written off	**(249)**	(505)
At 31st December	**2,518**	2,184

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

			Past due but not impaired	
	Total £'000	Neither past due nor impaired £'000	0-90 days £'000	>90 days £'000
2015	**23,234**	**15,217**	**7,686**	**331**
2014	24,618	19,934	4,173	511

19. Cash and cash equivalents

	2015 £'000	2014 £'000
Short-term deposits	**5,603**	–

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 £5,603,000 (2014: nil). At 31st December 2015, the Group had available £54.5m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met (2014: £65.3m).

20. Trade and other payables

	2015 £'000	2014 £'000
Current		
Trade payables	**7,327**	10,268
Other taxes and social security payable	**11,787**	11,078
Other payables	**725**	446
Accruals	**30,263**	28,544
	50,102	50,336

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.

21. Financial liabilities

	2015 £'000	2014 £'000
Current		
Overdraft	–	718
2% unsecured loan notes	–	63
12% unsecured loan notes	10,033	–
Deferred consideration	2,422	–
Contingent consideration	3,322	3,878
	15,777	4,659
Non-current		
Bank loans – revolving credit facility	45,500	34,000
12% unsecured loan notes	–	9,681
Deferred consideration	447	2,887
Contingent consideration	6,564	9,852
	52,511	56,420

Bank loans – revolving credit facility and overdraft
A £100.0m loan facility which expires in August 2017 was arranged in June 2013. Loan refinance costs of £1,128,000 were incurred in June 2013 which have been capitalised and are being amortised over the life of the loan facility.

The bank loan totalling £45.5m (2014: £34.0m) and overdraft totalling nil (2014: £0.7m) are secured via cross guarantees issued from all of the Group's subsidiaries excluding the following subsidiaries, Lending Solutions, Homefast, Linear (Linear Mortgage Network and Linear Financial Services), Templeton LPA, property-careers.com, Chancellors Associates and LSLi and the LSLi subsidiaries.

The utilisation of the revolving credit facility may vary each month as long as this does not exceed the maximum £100.0m facility (2014: £100.0m). The Group's overdraft is also secured on the same facility but cannot exceed £5.0m and the combined overdraft and revolving credit facility cannot exceed £100.0m (2014: £100.0m). The banking facility is repayable when funds permit on or by August 2017.

Interest and fees payable on the revolving credit facility amounted to £1.9m (2014: £1.8m). The interest rate applicable to the facility is LIBOR plus a margin rate of 1.50% (2014: LIBOR plus 1.50%). The margin rate is linked to the leverage ratio of the Group and the margin rate is reviewed at six monthly intervals. An additional fee is charged if the facility is more than 33% drawn with a further fee due if the facility is more than 67% drawn.

12% unsecured loan notes
12% unsecured loan notes with a face value of £6,146,000 and a fair value of £8,660,000 were issued as part satisfaction of the consideration for acquisition of Marsh & Parsons in November 2011. These loan notes carry a coupon of 12%, which is compounded every year on 1st January and rolled up to redemption. The loan notes are redeemable at par value plus rolled up interest at any time after 1st January 2016 at the option of the loan note holder. However, if that option is not exercised by the loan note holder they are redeemable on 1st April 2020. The amounts shown in the table above include accrued interest of £1,374,000 (2014: £1,021,000).

2% unsecured loan notes
2% unsecured loan notes with a face value of £63,000 were issued in September 2014 for the acquisition of Marsh & Parsons. These were redeemed at par during 2015.

21. Financial liabilities (continued)

Deferred consideration

Deferred consideration totalling £447,000 is payable at any time between 1st January 2016 and 1st April 2020 at the option of the management shareholders. Additionally there is £2,422,000 payable in relation to the purchase of LMS in 2014 (Note 17).

	2015 £'000	2014 £'000
Deferred Consideration		
Marsh & Parsons	**447**	465
LMS	**2,422**	2,422
	2,869	2,887

Contingent consideration

	2015 £'000	2014 £'000
Marsh & Parsons Growth Shares	**1,518**	4,501
LSLi contingent consideration	**4,790**	7,496
LMS	**3,093**	957
Other	**485**	776
	9,886	13,730
Opening balance	**13,730**	12,299
Cash paid	**(4,015)**	(1,426)
Acquisition	**1,178**	3,262
Amounts recorded through income statement	**(1,007)**	(405)
Closing balance	**9,886**	13,730

£1,518,000 (2014: £4,501,000) of contingent consideration relates to the Growth Shares acquired by the management of Marsh & Parsons subsequent to acquisition as an incentive to grow the Marsh & Parsons business. Holders of Growth Shares will have the option to require LSL to buy their Growth Shares at any time between 1st January 2016 and 1st April 2020, at their discretion, at a price determined by a multiple of EBITDA in the previous financial year. The payment of the consideration is contingent on the holder of the Growth Shares being continuously employed by the relevant company and consequently the expected value of the Growth Shares is charged to the income statement over the earn-out period.

£4,790,000 (2014: £7,496,000) of contingent consideration relates to payments to third parties in relation to the acquisition of LSLi and certain of its subsidiaries between 2007 and 2015. This is payable between three and five years after the acquisition dates depending on the profitability of those subsidiaries in the relevant years. In 2015, the contingent consideration has been recalculated using a discount rate of 6.5% (2014: 6.5%).

£3,093,000 (2014: £957,000) of contingent consideration relates to payments to third parties in relation to the acquisition of LMS in September 2014 (see Note 17). This is payable in 2016 and the payout will vary depending on the profitability of LMS in 2015.

The table below shows the allocation of the contingent consideration balance and income charge between the various categories:

	2015 £'000	2014 £'000
Remuneration	**3,362**	7,463
Put options over non-controlling interests	**3,093**	4,217
Arrangement under IFRS 3	**3,431**	2,050
Closing balance	**9,886**	13,730
Contingent consideration profit and loss impact in the period relating to amounts accounted for as:		
Remuneration	**(2,739)**	756
Put options over non-controlling interests	**1,799**	(1,110)
Arrangement under IFRS 3	**(519)**	(51)
Unwinding of discount on contingent consideration	**452**	–
Charge/(credit)	**(1,007)**	(405)

22. Provisions for liabilities

	2015			2014		
	Professional indemnity claim provision £'000	Onerous leases £'000	Total £'000	Professional indemnity claim provision £'000	Onerous leases £'000	Total £'000
Balance at 1st January	38,719	192	38,911	25,864	475	26,339
Amount utilised	(11,156)	(6)	(11,162)	(13,271)	(66)	(13,337)
Amount released	–	(133)	(133)	–	(217)	(217)
Unwinding of discount	159	–	159	75	–	75
Provided in financial year (including exceptional costs)	1,950	–	1,950	26,051	–	26,051
Balance at 31st December	29,672	53	29,725	38,719	192	38,911
Current	12,056	44	12,100	16,388	151	16,539
Non-current	17,616	9	17,625	22,331	41	22,372
	29,672	53	29,725	38,719	192	38,911

Professional Indemnity (PI Cost) claim provision

The PI Cost provision is to cover the costs of claims relating to valuation services for clients which are not covered by PI insurance. The PI Cost provision includes amounts for claims already received from clients, claims yet to be received and any other amounts which may be payable as a result of legal disputes associated with provision of valuation services.

The provision is the Directors' best estimate of the likely outcome of such claims, taking account of the incidence of such claims and the size of the loss that may be borne by the claimant, after taking account of actions that can be taken to mitigate losses. The PI Cost provision will be utilised as individual claims are settled and the settlement amount may vary from the amount provided depending on the outcome of each claim. It is not possible to estimate the timing of payment of all claims and therefore a significant proportion of the provision has been classified as non-current.

As at 31st December 2015 the total provision for PI Costs was £29.7m. The Directors have considered the sensitivity analysis on the key risks and uncertainties discussed above.

Cost per claim

A substantial element of the PI Cost provision relates to specific claims where disputes are on-going. These specific cases have been separately assessed and specific provisions have been made. The average cost per claim has been used to calculate the IBNR. Should the costs to settle and resolve these claims and future claims increase by 10%, an additional £2.5m would be required.

Rate of claim

The IBNR assumes that the rate of claim for the high risk lending period in particular reduces over time. Should the rate of reduction be lower than anticipated and the duration extend, further costs may arise. An increase of 30% in notifications in excess of that assumed in the IBNR calculations would increase the required provision by £0.5m.

Notifications

The company has received a number of notifications which have not deteriorated into claims or loss. Should the rate of deterioration increase by 50%, an additional provision of £1.0m would be required.

Onerous lease provision

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.

23. 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 22). Future minimum rentals payable under these operating leases are as follows:

			2015			2014
	Land and building £'000	Plant and machinery £'000	Total £'000	Land and building £'000	Plant and machinery £'000	Total £'000
No later than one year	7,025	3,530	10,555	7,995	2,735	10,730
After one year but not more than five years	16,211	3,358	19,569	17,304	3,533	20,837
After five years	9,509	–	9,509	8,211	–	8,211
	32,745	6,888	39,633	33,510	6,268	39,778

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:

	2015 Land and buildings £'000	2014 Land and buildings £'000
Not later than one year	307	253
After one year but not more than five years	644	472
After five years	376	43
	1,327	768

24. Share capital

		2015		2014
	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 1st January and 31st December	104,158,950	208	104,158,950	208

25. 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

Treasury shares represent the cost of LSL Shares purchased in the market and held by the Trust to satisfy future exercise of options under the Group's employee share options schemes. At 31st December 2015 the Trust held 1,707,671 (2014: 2,259,117) LSL Shares at an average cost of £3.51 (2014: £3.51). The market value of the LSL Shares at 31st December 2015 was £4,867,000 (2014: £6,732,000). The nominal value of each share is 0.2p.

Fair value reserve

The fair value reserve is used to record the changes in fair value of financial assets held for sale. Note 16 gives further details of the movement in the current year.

26. Pension costs and commitments

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

Total contributions to the defined contribution schemes in the year were £2,274,000 (2014: £2,335,000). There was an outstanding amount of £306,000 in respect of pensions as at 31st December 2015 (2014: £317,000).

27. Acquisitions during the year

Year ended 31st December 2015
The Group acquired the following businesses during the year:

a. Lettings books
During the period the Group acquired thirty lettings businesses for a total consideration of £9,079,000. The identifiable net assets acquired consist of intangible assets £7,784,000, cash and cash equivalents £426,000 and goodwill of £869,000.

The combined fair values of the identifiable assets and liabilities at the date of above acquisition have been determined as below:

	Fair value recognised on acquisition £'000
Intangible Assets	7,784
Cash and cash equivalents	426
Total identifiable net liabilities acquired	8,210
Purchase consideration	9,079
Goodwill	869
Purchase consideration discharged by:	
Cash	9,054
Contingent consideration	25
	9,079

	£'000
Analysis of cash flow on acquisition	
Transaction costs (included in cash flows from operating activities)	21
Net cash acquired with the subsidiary (included in cash flows from investing activities)	(426)
Purchase consideration discharged in cash (included in cash flows from investing activities)	9,054
Net cash outflow on acquisition	**8,649**

b. Thomas Morris
In February 2015, the Group acquired 80% of Thomas Morris, a 7 branch estate agency chain in Cambridgeshire, Bedfordshire and Hertfordshire for an initial consideration of £4.1m. The remaining 20% is subject to put and call options which are exercisable between 2018 and 2020 dependent on profit performance. Due to the nature of the payment terms, the contingent consideration is considered to be a capital payment for accounting purposes.

27. Acquisitions during the year (continued)

The fair value of the identifiable assets and liabilities of Thomas Morris as at the date of acquisition have been determined as below:

	Fair value recognised on acquisition £'000
Intangible assets	1,209
Property, plant and equipment	28
Trade and other receivables	177
Cash and cash equivalents	348
Trade and other payables	(202)
Current tax liabilities	(224)
Total identifiable net liabilities acquired	**1,336**
Purchase consideration	5,301
Goodwill	3,965
Purchase consideration discharged by:	
Cash	4,148
Contingent consideration	1,153
	5,301

The goodwill of Thomas Morris comprises certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include an experienced management team with a good record of delivering a quality service to customers, the expected value of synergies and the potential to significantly grow the business. No determination has been made yet as to what proportion, if any, of the goodwill will be tax deductible. Thomas Morris has contributed £762,000 profit before tax and £4,226,000 revenue in the period since acquisition. If it had been acquired at the beginning of the year then the consolidated revenue would have been £782,000 higher and the consolidated profit before tax would have been £114,000 higher. An analysis of cashflow on acquisition is given in the table below:

	£'000
Analysis of cash flow on acquisition	
Transaction costs (included in cash flows from operating activities)	26
Net cash acquired with the subsidiary (included in cash flows from investing activities)	(348)
Purchase consideration discharged in cash (included in cash flows from investing activities)	4,148
Net cash outflow on acquisition	**3,826**

Transaction costs have been expensed and are included under operating expenses.

Year ended 31st December 2014

The Group acquired the following businesses during the prior year:

a. Hawes & Co

In March 2014, the Group acquired 65% of Hawes & Co, a 6 branch estate agency chain based in South West London for an initial consideration of £3.2m. The remaining 35% is subject to put and call options which are exercisable between 2016 and 2019 dependent on profit performance. Due to the nature of the payment terms, the contingent consideration is considered to be a capital payment for accounting purposes.

27. Acquisitions during the year (continued)

The fair value of the identifiable assets, except for cash and cash equivalents, and liabilities of Hawes & Co as at the date of acquisition have been determined as below:

	Fair value recognised on acquisition £'000
Intangible assets	942
Property, plant and equipment	58
Trade and other receivables	384
Cash and cash equivalents	250
Trade and other payables	(466)
Current tax liabilities	–
Total identifiable net liabilities acquired	**1,168**
Purchase consideration	5,440
Goodwill	4,272
Purchase consideration discharged by:	
Cash	3,190
Contingent consideration	2,250
	5,440

	£'000
Analysis of cash flow on acquisition	
Transaction costs (included in cash flows from operating activities)	81
Net cash acquired with the subsidiary (included in cash flows from investing activities)	(250)
Purchase consideration discharged in cash (included in cash flows from investing activities)	3,190
Net cash outflow on acquisition	**3,021**

The goodwill of Hawes & Co comprises certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include an experienced management team with a good record of delivering a quality service to customers, the expected value of synergies and the potential to significantly grow the business. No determination has been made yet as to what proportion, if any, of the goodwill will be tax deductible.

From the date of acquisition to 31st December 2014, the acquisition has contributed to £3.4m of revenue and £0.5m profit before tax of the Group, excluding the impact of movements in the contingent consideration recorded through the profit and loss. If all of these combinations had taken place at the beginning of the year, the consolidated revenue would have been higher by £4.3m and the consolidated profit before tax would have been higher by £0.7m.

Transaction costs have been expensed and are included under exceptional costs (see Note 7).

28. Client monies

As at 31st December 2015, monies held by subsidiaries in separate bank accounts on behalf of clients amounted to £93,837,000 (2014: £82,642,000). 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 these amounts.

29. 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.

It is the Group's policy that trading in derivatives shall not be undertaken. Interest rate swap agreements, which expired in 2014, were held for risk management purposes.

The Group is exposed through its operations to 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 Chief Financial Officer. Certain risks are managed centrally, while others are managed locally following communications from the centre. The policy for each of the above risks is described in more detail below.

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.

The majority of external Group borrowings are variable interest based and this policy is managed centrally. The subsidiaries are not permitted to borrow from external sources directly without approval from the Group Finance team.

In 2009 the Group entered into interest rate swap agreements to fix interest rates on £25m of the Group's bank borrowings. The interest rate swap agreements fixed LIBOR to approximately 2.9% until April/May 2014 and had expired at 31st December 2014. At 31st December 2015 none of the Group's revolving credit facility is at a fixed rate of interest (2014: nil%).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings, which is not covered by the fixed interest rate swap. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows. There is no material impact on the Group's equity.

	Increase/ decrease in basis point	Effect on profit before tax £'000
2015	**+100**	**(455)**
	-100	**455**
2014	+100	(340)
	-100	340

Liquidity risk
The Group aims to mitigate liquidity risk by managing cash generation by its operations, dividend policy and acquisition strategy. Acquisitions are carefully selected with authorisation limits operating up to Board level and cash payback periods applied as part of the investment appraisal process. In this way the Group aims to maintain a good credit rating to facilitate fundraising. The Group is also very cash generative as demonstrated by the cash from operations. The Group has net current liabilities due to the operating model where debtors are collected earlier than payments to creditors, allowing the cash to be used elsewhere in the business such as to reduce the amount drawn down on the revolving credit facility and to make acquisitions. However, the requirement to pay creditors is managed through future cash generation and, if required, from the revolving credit facility.

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

29. Financial instruments – risk management (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31st December 2015 based on contractual undiscounted payments:

Year ended 31st December 2015

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Interest bearing loans and borrowings (including overdraft)	–	423	11,327	46,403	–	58,153
Trade payables	–	7,327	–	–	–	7,327
Contingent consideration	–	57	5,254	5,188	–	10,499
Deferred consideration	–	–	2,422	575	–	2,997
	–	7,807	19,003	52,166	–	78,976

Year ended 31st December 2014

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Interest bearing loans and borrowings (including overdraft)	718	489	1,280	45,741	–	48,228
Trade payables	–	10,268	–	–	–	10,268
Contingent consideration	–	54	3,917	5,810	6,160	15,941
Deferred consideration	–	–	–	2,422	636	3,058
	718	10,811	5,197	53,973	6,796	77,495

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 syndicate of major banking corporations to manage longer term borrowing requirements.

Capital management

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

In the medium to long-term, the Group will strive to maintain a reasonable leverage (i.e. balance between debt and equity) to help achieve the Group's business objectives of growth (through acquisitions and organic growth) and 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. Certain loan notes issued on acquisition of Marsh & Parsons are excluded from this ratio as they are unsecured and are not relevant to calculate the Group's banking covenant.

The Group has a current ratio of Net Bank Debt (excluding loan notes) to EBITDA of 0.83 (2014:0.74), based on Net Bank Debt (excluding loan notes) of £39.9m (2014: £34.7m) and operating profit before exceptional costs, amortisation and share-based payment charge of £42.9m (2014: £42.0m). The business is cash generative with a low capital expenditure requirement. The Group remains committed to its stated dividend policy of 30% to 40% of Group Underlying Operating Profit after interest and tax. In addition, the Group's other main priority is to generate cash to support its operations and to fund any strategic acquisitions.

Net Bank Debt is defined as follows:

	2015 £'000	2014 £'000
Interest bearing loans and borrowings (including loan notes and overdraft)	68,288	61,079
Less: 2% and 12% unsecured loan notes	(10,033)	(9,744)
Less: cash and short term deposits	(5,603)	–
Less: deferred and contingent consideration	(12,755)	(16,617)
Net Bank Debt (excluding loan notes)	39,897	34,718

29. Financial instruments – risk management (continued)

Credit risk

There are no significant concentrations of credit risk within the Group. The Group is exposed to a credit risk in respect of revenue transactions (i.e. turnover from customers). It is Group policy, implemented locally, to obtain appropriate details of new customers before entering into contracts. The majority of the Estate Agency customers use the Group's services as part of a house sale transaction and consequently the debt is paid from the proceeds realised from the sale of the house by the vendor's solicitor before the balance of funds is transferred to the vendor. 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 31st December 2015 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 Years £'000	Total £'000
Fixed rate					
Revolving credit facility	–	–	–	–	**–**
Interest bearing loans	(10,033)	–	–	–	**(10,033)**
Floating rate					
Cash and cash equivalents	5,603	–	–	–	**5,603**
Revolving credit facility	(45,500)	–	–	–	**(45,500)**

The effective interest rate and the actual interest rate charged on the loans in 2015 are as follows:

	Effective rate	Actual rate
Revolving credit facility	3.2%	2%
2% unsecured loan notes	2%	2%
12% unsecured loan notes	3.65%	12%

The effective interest rate on the revolving credit facility during the year is higher than the actual rate due to commitment fees payable on undrawn amounts. The effective rate on 12% unsecured loan note is low due to the loan note being recorded at fair value on initial issue in 2011.

The interest rate profile of the financial assets and liabilities of the Group as at 31st December 2014 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 Years £'000	Total £'000
Fixed rate					
Revolving credit facility	–	–	–	–	–
Interest bearing loans	(63)	(9,681)	–	–	(9,744)
Floating rate					
Cash and cash equivalents	–	–	–	–	
Revolving credit facility	(34,718)	–	–	–	(34,718)

29. Financial instruments – risk management (continued)

The effective interest rate and the actual interest rate charged on the loans in 2014 are as follows:

	Effective rate	Actual rate
Revolving credit facility	4.3%	2%
2% unsecured loan notes	2%	2%
12% unsecured loan notes	3.65%	12%

The effective interest rate on the revolving credit facility during the year is high due to commitment fees payable on undrawn amounts earlier in the year. The effective rate on 12% unsecured loan note is low due to the loan note being recorded at fair value on initial issue in 2011.

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 Statement:

	2015		2014	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Financial assets				
Cash and cash equivalents	5,603	5,603	–	–
Available-for-sale financial assets	28,871	28,871	23,033	23,033
Financial liabilities				
Interest-bearing loans and borrowings:				
Floating rate borrowings	(45,500)	(45,500)	(34,718)	(34,718)
Contingent consideration	(9,886)	(9,886)	(13,730)	(13,730)
Deferred consideration	(2,869)	(2,869)	(2,887)	(2,887)
12% and 2% unsecured loan notes	(10,033)	(10,033)	(9,744)	(9,744)

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.

Fair value hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

2015	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	28,871	27,097	–	1,774
Liabilities measured at fair value				
Contingent consideration	9,886	–	–	9,886
Deferred consideration	2,869	–	–	2,869
Liabilities for which fair values are disclosed				
Interest-bearing loans and borrowings:				
Floating rate borrowings	45,500	–	45,500	–
Unsecured loan notes	10,033	–	10,033	–

29. Financial instruments – risk management (continued)

2014	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	23,033	21,347	–	1,686
Liabilities measured at fair value				
Contingent consideration	13,730	–	–	13,730
Deferred consideration	2,887	–	–	2,887
Liabilities for which fair values are disclosed				
Interest-bearing loans and borrowings:				
Floating rate borrowings	34,718	–	34,718	–
12% unsecured loan notes	9,744	–	9,744	–

At 31st December 2015 the Group stake in Zoopla has been valued at £27,097,000 based on the Zoopla share price at that date of £2.40 per share which qualifies as a Level 1 technique.

The other investments totaling £1,774,000 are valued using Level 3 valuation techniques. The Directors reviewed the fair value of the financial assets at 31st December 2015. The methods used to determine the fair value are disclosed in more detail in Note 16. The underlying value of the business will be driven by the profitability of these businesses. If this was to drop by 10%, the implied valuation is likely to also drop by around 10%, £0.2m.

The contingent consideration relates to amounts payable in the future on acquisitions. The amounts payable are based on the amounts agreed in the contracts and based on the future profitability of each entity acquired. In valuing each provision, estimates have been made as to when the options are likely to be exercised and the future profitability of the entity at this date. Further details of these provisions are shown in Note 21. If the future profitability of the entities was to decline by 10%, the size of the contingent consideration would decrease by approximately £1.2m.

Fair values of the Group's interest-bearing borrowings and loans are determined by using discounted cash flow (DCF) methodology using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31st December 2015 was assessed to be insignificant.

30. Analysis of Net Bank Debt (excluding loan notes)

	2015 £'000	2014 £'000
Interest bearing loans and borrowings		
– Current	**15,777**	4,659
– Non-current	**52,511**	56,420
	68,288	61,079
Less: Unsecured loan notes	**(10,033)**	(9,744)
Less: cash and short-term deposits	**(5,603)**	–
Less: deferred and contingent consideration	**(12,755)**	(16,617)
Net Bank Debt at the end of the year	**39,897**	34,718

During the year, the Group has drawn down £11.5m (2014: drawn down £10.0m) 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 £100.0m facility (2014: £100.0m).

31. Related party transactions

Transactions with LMS and its subsidiaries

	2015 £'000	2014 £'000
Sales	70	85
Purchases	–	(15)

Transactions with TM and its subsidiaries

	2015 £'000	2014 £'000
Sales	1,336	1,266
Purchases	(40)	(23)
Year-end creditor balance	(2)	(5)

32. Capital commitments

	2015 £'000	2014 £'000
Capital expenditure contracted for but not provided	118	462

33. Subsidiary and joint venture companies

The Group owns directly or indirectly the following issued and fully paid ordinary and preference share capital of its subsidiary undertakings, all of which are incorporated in Great Britain and whose operations are conducted mainly in the United Kingdom. The results for all of the subsidiaries have been consolidated within these financial statements:

Name of subsidiary company	Holding	Proportion of nominal value of shares held	Segment	Nature of Business
Lending Solutions Holdings Ltd	'A' Ordinary 'B1' Ordinary 'B2' Ordinary 'C' Ordinary	100% 100% 100% 100%	N/A	Holding company
Lending Solutions Ltd	Ordinary shares	100%	N/A	Non trading
LSL Corporate Client Services Ltd*	Ordinary shares	100%	Estate Agency and Related Services	Asset Management
St Trinity Ltd*	Ordinary shares	100%	Estate Agency and Related Services	Asset Management
Templeton LPA Ltd	'A1' Ordinary shares 'B1' Ordinary shares	100%	Estate Agency and Related Services	Asset Management
Appleton Estates & Property Management Ltd	Ordinary shares	100%	Estate Agency and Related Service	Non Trading
Bawtry Lettings and sales Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Beldhamland Ltd	'A' Ordinary shares 'B' Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Davis Tate Ltd	'A' Ordinary shares 'B' Ordinary shares 'C' Ordinary shares	75.58%	Estate Agency and Related Services	Holding Company
EA Student Lettings Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Eastside Property Developments Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Energy-Assessors.com Ltd#	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Fourlet (York) Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Front Door Property Management Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
David Frost Estate Agents Ltd	'A' Ordinary shares 'B' Ordinary shares Non-cumulative redeemable preference shares	100% 100% 100%	Estate Agency and Related Services	Residential Sales and Lettings
GFEA Ltd	Ordinary shares	100%	Estate Agency and Related Services	Residential Sales and Lettings
Guardian Property Lettings Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Hawes & Co Ltd	Ordinary shares	65%	Estate Agency and Related Services	Holding Company
Hawes & Co (Thames Ditton) Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Home & Student Link Ltd	'A1' Ordinary 'B1' Ordinary	100% 100%	Estate Agency and Related Services	Non Trading

Name of subsidiary company	Holding	Proportion of nominal value of shares held	Segment	Nature of Business
Homefast Property Services Ltd	'A' Ordinary shares 'B' Ordinary shares	77.5%	Estate Agency and Related Service	Non Trading
ICIEA Ltd	Ordinary shares	100%	Estate Agency and Related Services	Residential Sales, Lettings and Holding Company
Inter County Lettings Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
JNP (JNP (Estate Agents) Ltd)	Ordinary shares	100%	Estate Agency and Related Services	Residential Sales, Lettings and Holding Company
JNP Estate Agents (Princes Riseborough) Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
JNP (Residential Lettings) Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
JNP Surveyors Ltd	Ordinary shares	100%	Estate Agency and Related Service	Non Trading
Kent Property Solutions Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Lauristons Ltd	Ordinary shares	100%	Estate Agency and Related Services	Residential Sales, Lettings and Holding Company
Lawlors Property Services Ltd	'A' Ordinary shares	75%	Estate Agency and Related Services	Residential Sales and Lettings
Lets Move Property Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
LSL-ONE Ltd	'B' Ordinary shares	100%	N/A	Non Trading
LSLi Ltd*	Ordinary shares	100%	Estate Agency and Related Services	Residential Sales, Lettings, Financial Services and Holding Company
Marsh & Parsons Ltd	Ordinary shares	100%	Estate Agency and Related Services	Residential Sales, Lettings and Holding Company
Marsh & Parsons Holdings Ltd*	'A' Ordinary shares 'B1' Ordinary shares 'B2' Ordinary shares 'C' Ordinary shares 'Deferred' shares	100% 0% 0% 0% 100%	Estate Agency and Related Services	Holding Company
Marshcroft Properties Ltd	Ordinary shares	100%	Estate Agency and Related Service	Non Trading
New Daffodil Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
New Let Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
NSK Management Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Paul Graham Lettings & Management Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Philip Green Lettings Ltd	'A' Ordinary shares 'B' Ordinary shares 'C' Ordinary shares	100% 100% 100%	Estate Agency and Related Services	Non Trading
PHP Lettings Scotland Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading

Name of subsidiary company	Holding	Proportion of nominal value of shares held	Segment	Nature of Business
Prestons Lettings Ltd	Ordinary shares 'A' Ordinary shares	100% 100%	Estate Agency and Related Services	Non Trading
Reeds Rains Ltd*	'A' Ordinary shares 'B' Ordinary shares	100% 100%	Estate Agency and Related Services	Residential Sales, Lettings, Financial Services and Holding Company
Thomas Morris Ltd	Ordinary shares	80%	Estate Agency and Related Services	Residential Sales and Lettings
To Letting Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Vanstons (Barnes) Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Vanstons Commercial Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Vanstons Lettings Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Vanstons Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Vitalhandy Enterprises Ltd	'A' Ordinary shares 'B' Ordinary shares	100% 100%	Estate Agency and Related Services	Holding Company
Warner Lettings Agency Ltd	'1' Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Woollens of Wimbledon Ltd	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Yates Lettings Ltd	'A' Ordinary shares 'B' Ordinary shares	100%	Estate Agency and Related Services	Non Trading
your-move.co.uk Ltd	Ordinary shares	100%	Estate Agency and Related Services	Residential Sales, Lettings, Financial Services and Holding Company
Zenith Properties Ltd	Ordinary shares 'A' Ordinary shares	100% 100%	Estate Agency and Related Services	Non Trading
Advance Mortgage Funding Ltd*	Ordinary shares Preference shares Non voting non-cumulative	100% 100%	Estate Agency and Related Services	Financial Services
BDS Mortgage Group Ltd	Ordinary shares Preference shares	100%	Estate Agency and Related Services	Financial Services
First Complete Ltd*	Ordinary shares	100%	Estate Agency and Related Services	Financial Services
First2Protect Ltd	Ordinary shares	100%	Estate Agency and Related Services	Financial Services
Linear Financial Services	Ordinary shares	100%	Estate Agency and Related Services	Non Trading
Linear Financial Services Holdings Limited	Ordinary shares	100%	Estate Agency and Related Services	Holding Company
Linear Mortgage Network Holdings Ltd	Ordinary shares	98%	Estate Agency and Related Services	Holding Company
Linear Mortgage Network Limited	Ordinary shares	100%	Estate Agency and Related Services	Financial Services
Reeds Rains Financial Services Ltd	Ordinary shares	100%	Estate Agency and Related Services	Financial Services

Name of subsidiary company	Holding	Proportion of nominal value of shares held	Segment	Nature of Business
Cybele Solutions Holdings Ltd#	‘A’ Ordinary ‘B’ Ordinary ‘C’ Ordinary	49.99% 49.99% 50%	N/A	Joint Venture – Holding Company
Cybele Solutions Ltd	‘A’ Ordinary shares ‘B’ Ordinary shares ‘C’ Ordinary shares	100%	N/A	Joint Venture – Conveyancing panel manager
TM Group (UK) Ltd#	Ordinary shares Deferred shares	33.33%	N/A	Joint Venture – Property Searches
Albany Insurance Company (Guernsey) Ltd*	Ordinary shares	100%	Surveying and Valuation Services	Captive insurer
Barnwoods Ltd*	Ordinary shares	100%	Surveying and Valuation Services	Non Trading
Chancellors Associates Ltd	Ordinary shares	100%	Surveying and Valuation Services	Chartered Surveyors
e.surv Ltd*	Ordinary shares	100%	Surveying and Valuation Services	Chartered Surveyors
Repartir Ltd	Ordinary shares	100%	Surveying and Valuation Services	Non Trading

* held directly by the Company

Joint Ventures

34. Post Balance Sheet Events

Subsequent to the year end the following transactions have been completed:

a. LSL acquired three small lettings book acquisitions for a total initial consideration of £1.82m.

b. On 17th February 2016, Your Move acquired a 65% interest in GFL for an initial consideration of £9.1m, with 50% paid at completion and the remaining 50% to be in March 2017.

The Group is in the process of allocating the purchase price in accordance with IFRS 3. As a result the initial accounting for the acquisitions above are currently incomplete, so a fair value table of the identifiable assets and liabilities has not been presented.

Statement of Directors' Responsibilities in Relation to the Parent Company Financial Statements

The Directors are responsible for preparing the Annual Report and the Parent Company Financial Statements (together with the Annual Report and Accounts) in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under company law the Directors must not approve the Company Financial Statements unless they are satisfied that they present fairly the financial position of the Company and the financial performance and cash flows of the Company for that period. In preparing the Company 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 IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company 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 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 and Article 4 of the IAS Regulation. 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.

Parent Company Balance Sheet

for the year ended 31st December 2015

	Note	2015 £'000	2014 £'000	As at 1 Jan 2014 £'000
Non-current assets				
Property, plant and equipment	3	**9**	31	28
Investment in subsidiaries	4	**181,133**	168,999	165,163
Financial assets	5	**27,097**	21,343	35,102
Investment in joint ventures	6	**7,233**	7,233	1,432
		215,472	197,606	201,725
Current assets				
Trade and other receivables	7	**59,518**	49,895	33,485
Total Assets		**274,990**	247,501	235,210
Current Liabilities				
Trade and other payables	8	**(142,807)**	(109,659)	(110,347)
Financial liabilities	9	**(25,043)**	(26,525)	(24,265)
		(167,850)	(136,184)	(134,612)
Non-current Liabilities				
Financial liabilities	9	**(47,465)**	(42,345)	(24,000)
Deferred tax liability	10	**(4,350)**	(3,869)	(6,633)
		(51,815)	(46,214)	(30,633)
Total Liabilities		**(219,665)**	(182,398)	(165,245)
Net Assets		**55,325**	65,103	69,965
Equity				
Share capital	11	**208**	208	208
Share premium account	12	**5,629**	5,629	5,629
Share-based payment reserve	12	**3,564**	3,498	2,475
LSL Shares held by the EBT (Treasury shares)	12	**(5,988)**	(7,922)	(4,292)
Fair value reserve	12	**19,640**	15,477	26,530
Retained Earnings	13	**32,272**	48,213	39,415
Total Equity		**55,325**	65,103	69,965

The Financial Statements were approved by and signed on behalf of the Board by:

Ian Crabb
Group Chief Executive Officer
3rd March 2016

Adam Castleton
Group Chief Financial Officer
3rd March 2016

Parent Company Statement of Cash Flows

for the year ended 31st December 2015

	Notes	£'000	2015 £'000	£'000	2014 £'000
Operating activities					
(Loss)/Profit before tax			(5,010)		39,387
Non-cash adjustments to reconcile profit before tax to net cash flows					
Fair value adjustment of contingent consideration	9	(847)		7,899	
Finance income		(9)		(13)	
Finance costs		1,941		1,786	
Share-based payment transaction expense		(266)		438	
Depreciation and impairment of property, plant and equipment	3	23		28	
Dividend income		(2,776)		(28,882)	
Working Capital Adjustments:					
(Increase) in trade and other receivables	7	(9,563)		(16,411)	
Increase in trade and other payables	8	28,573		2,637	
			12,066		6,869
Interest paid		(1,941)		(1,786)	
Income tax paid		(4,648)		(2,008)	
			(6,589)		(3,794)
Net cash flows from operating activities			5,477		3,075
Investing activities					
Investment in joint venture		–		(2,422)	
Investment in financial instruments	5	(1,094)		(1,090)	
Proceeds from sale of financial instruments		297		20,838	
Tax on sale of financial instruments		–		(4,015)	
Dividends received from joint venture		1,499		1,302	
Dividends received from financial instruments		549		1,579	
Interest received		9		13	
Purchase of property, plant and equipment and intangible assets	3	1		–	
Net cash flows from investing activities			1,261		16,205
Financing activities					
Proceeds from borrowings		11,500		10,000	
Repayment of overdraft		(6,998)		2,937	
Acquisition of LSL shares by the employee benefit trust (EBT) (Treasury Shares)		–		(5,621)	
Proceeds from exercise of share options		1,314		1,690	
Dividends paid to equity holders of the parent		(12,554)		(28,286)	
Net cash flows used in financing activities			(6,738)		(19,280)
Net increase/(decrease) in cash and cash equivalents			–		–
Cash and cash equivalents at 1st January			–		–
Cash and cash equivalents at 31st December			–		–

Parent Company Statement of Changes in Equity

for the year ended 31st December 2015

Year ended 31st December 2015

	Issued capital £'000	Share premium £'000	Share-based payment reserve £'000	Treasury shares £'000	Fair value reserve £'000	Retained earnings £'000	Total £'000
As at 1st January 2015	**208**	**5,629**	**3,498**	**(7,922)**	**15,477**	**48,213**	**65,103**
Disposal of financial asset (net of tax)	–	–	–	–	(387)	–	(387)
Revaluation of financial asset (net of tax)	–	–	–	–	4,550	–	4,550
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**4,163**	**–**	**4,163**
Profit for the year	–	–	–	–	–	(3,572)	(3,572)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**4,163**	**(3,572)**	**591**
Investment in Treasury Shares	–	–	–	–	–	–	–
Exercise of options	–	–	(805)	1,934	–	185	1,314
Share-based payment transactions	–	–	871	–	–	–	871
Dividends	–	–	–	–	–	(12,554)	(12,554)
As at 31st December 2015	**208**	**5,629**	**3,564**	**(5,988)**	**19,640**	**32,272**	**55,325**

As at 31st December 2015, the Company adopted IFRS and as such the opening balances as at 1st January 2014 have been restated to reflect the change in policy from UK GAAP to IFRS.

During the year ended 31st December 2015, the Trust acquired no LSL Shares. During the period 551,446 share options were exercised relating to LSL's various share option schemes resulting in the Shares being sold by the Trust. LSL received £1,314,000 on exercise of these options.

Year ended 31st December 2014

	Issued capital £'000	Share premium £'000	Share- based payment reserve £'000	Treasury shares £'000	Fair value reserve £'000	Retained earnings £'000	Total £'000
As at 1st January 2014	**208**	**5,629**	**2,475**	**(4,292)**	**26,530**	**39,415**	**69,965**
Disposal of financial asset (net of tax)	–	–	–	–	(16,454)	–	(16,454)
Revaluation of financial asset (net of tax)	–	–	–	–	5,401	–	5,401
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**(11,053)**	**–**	**(11,053)**
Profit for the year	–	–	–	–	–	36,633	36,633
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(11,053)**	**36,633**	**25,580**
Investment in Treasury Shares	–	–	–	(5,621)	–	–	(5,621)
Exercise of options	–	–	(752)	1,991	–	451	1,690
Share-based payment transactions	–	–	1,775	–	–	–	1,775
Dividends	–	–	–	–	–	(28,286)	(28,286)
As at 31st December 2014	**208**	**5,629**	**3,498**	**(7,922)**	**15,477**	**48,213**	**65,103**

As at 31st December 2015, the Company adopted IFRS and as such the opening balances as at 1st January 2014 have been restated to reflect the change in policy from UK GAAP to IFRS.

During the year ended 31st December 2014, the Trust acquired 1,485,000 LSL Shares for £5,621,000. In addition, during the period 669,077 share options were exercised relating to LSL's various share option schemes resulting in the Shares being sold by the Trust. LSL received £1,690,000 on exercise of these options.

Notes to the Parent Company Financial Statements

for the year ended 31st December 2015

1. Accounting policies

Basis of preparation

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

For all periods up to and including the year ended 31st December 2014, the Company prepared its financial statements in accordance with UK generally accepted accounting principles (UK GAAP). These financial statements for the period ended 31st December 2015 are the first the Company has prepared in accordance with IFRS. Please refer to Note 2 for information on how the Company adopted IFRS.

The Company Financial Statements have been prepared on a going concern basis and on a historical cost basis, except for, available-for-sale financial assets 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 31st December 2015. The Company's Financial Statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Summary of significant accounting policies

The preparation of financial information in conformity with IFRS as adopted by IASB 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 on going 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:

Contingent consideration

The Company has acquired a number of businesses over the last few years. With regard to a number of these businesses, the Company has a put and call option to buy, or require to buy, the remaining interest in these businesses at some point in the future. In accordance with the accounting standards, estimates have been made with regard to the future profitability of these acquisitions and a provision for the cost of acquiring these interests has been recognised.

Valuation of financial assets

The Company owns minority interests in a number of listed and unlisted entities. In accordance with the accounting standards, these investments are held at fair value and estimates and assumptions are required in assessing this.

Investments in subsidiaries

Investments are shown at cost less provision for impairment. The cost of an investment is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised through profit and loss.

Investments are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired.

Investments in joint ventures

Investments in joint ventures are accounted for at cost less any provision for impairment. Investments are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired. The cost of an investment is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in profit and loss.

1. Accounting policies (continued)

Income taxes

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

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

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

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

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

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

Pensions

The Company operates a defined contribution pension scheme for employees of the Company. The assets of the scheme are invested and managed independently of the finances of the Company. The pension cost charge represents contributions payable in the year.

Share-based payment transactions

Equity-settled transactions

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

Treasury shares

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

1. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Financial assets are derecognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

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

Interest bearing loans and borrowings

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

Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition 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 asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

2. First-time adoption of IFRS

These financial statements, for the year ended 31st December 2015, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31st December 2014, the Company prepared its financial statements in accordance with UK generally accepted accounting principles (UK GAAP).

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 31st December 2015, together with the comparable period data for the year ended 31st December 2014, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1st January 2014, the Company's date of transition to IFRS. This note explains the principle application made by the Company in restating its UK GAAP financial statements, including the statement of financial position as at 1st January 2014, and the financial statements for the year ended 31st December 2014.

The fair value reserve and the related deferred tax liability have been restated in line with the conversion and adoption of IFRS. Further detail of the restatement is outlined in the Company Statement of Changes in Equity as well as within Notes 10 and 12 of the Parent Company financial statements.

3. Property, Plant and Equipment

As at 31st December 2015

	Leasehold improvements £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1st January 2015	74	105	179
Additions	–	1	1
At 31st December 2015	**74**	**106**	**180**
Depreciation			
At 1st January 2015	48	100	148
Charge for the year	17	6	23
At 31st December 2015	**65**	**106**	**171**
Carrying amount			
At 31st December 2015	**9**	**–**	**9**
At 1st January 2015	26	5	31

As at 31st December 2014

	Leasehold improvements £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1st January 2014	55	93	148
Additions	19	12	31
At 31st December 2014	**74**	**105**	**179**
Depreciation			
At 1st January 2014	35	85	120
Charge for the year	13	15	28
At 31st December 2014	**48**	**100**	**148**
Carrying amount			
At 31st December 2014	**26**	**5**	**31**
At 1st January 2014	20	8	28

4. Investment in subsidiaries

Details of the subsidiaries held directly and indirectly by the Company are shown in Note 33 to the Group Financial Statements.

	2015 £'000	2014 £'000	As at 1st Jan 2014 £'000
At 1st January	**168,999**	165,163	164,392
Additions	**10,998**	2,500	–
Disposals	**–**	–	(4)
Adjustments for share-based payment	**1,136**	1,336	775
At 31st December	**181,133**	168,999	165,163

In 2015, an adjustment of £1,136,000 (2014: £1,336,000) was made 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. The total contribution to date is £6,367,000 (2014: £5,231,000).

During the current year, the investment in Albany increased due to an increase in share capital of £10,998,000 (2014: £2,500,000).

5. Financial assets

At Cost	2015 £'000	2014 £'000	As at 1st Jan 2014 £'000
At 1st January	**21,343**	35,102	11,769
Additions	**1,094**	1,090	847
Disposals	**(470)**	(21,599)	–
Revaluation uplift	**5,130**	6,750	22,486
At 31st December	**27,097**	21,343	35,102

Zoopla's share price at 31st December 2015 was £2.40 per share. The Directors consider the best estimate of the fair value of LSL's investment in Zoopla to be the current share price which values the Group's stake in Zoopla at £27,097,000. Subsequent to the 2015 interim date, Zoopla completed an anniversary offer allowing LSL to subscribe for a further 619,318 shares at the £2.20 IPO price with a 20% discount. These have been taken up by LSL.

At the same time, a further 169,350 shares were sold through the anniversary member offer at £1.76 with net proceeds of £297,000.

6. Investment in joint ventures

At Cost	2015 £'000	2014 £'000	As at 1st Jan 2014 £'000
At 1st January	**7,233**	1,432	1,432
Additions	**–**	5,801	–
At 31st December	**7,233**	7,233	1,432

The Company has a 49.99% interest in LMS, a joint venture whose principal activity is to provide conveyancing panel management services.

In September 2014, the Company increased its ownership interest in LMS to 49.99%. The initial consideration was £2,422,000 with a deferred and contingent consideration estimated at the date of acquisition of £3,379,000.

7. Trade and other receivables

	2015 £'000	2014 £'000	As at 1st Jan 2014 £'000
Deferred tax asset (Note 10)	**8**	–	142
Group relief receivable	**19,573**	13,510	14,112
Prepayments	**856**	927	1,088
Amounts owed by Group undertakings	**39,081**	35,458	18,143
	59,518	49,895	33,485

8. Trade and other payables

	2015 £'000	2014 £'000	As at 1st Jan 2014 £'000
Other taxes and social security payable	**–**	–	219
Accruals	**1,720**	1,116	3,833
Amounts owed to Group undertakings	**141,087**	108,543	106,295
	142,807	109,659	110,347

9. Financial liabilities

	2015 £'000	2014 £'000	As at 1st Jan 2014 £'000
Current			
Deferred consideration	**2,422**	–	446
Contingent consideration	**3,093**	–	
Derivative financial liability – interest rate swap	**–**	–	230
Bank overdraft	**19,528**	26,525	23,589
Non-current			
Deferred consideration	**447**	2,887	–
Contingent consideration	**1,518**	5,458	–
Bank loans – revolving credit facility	**45,500**	34,000	24,000
	47,465	42,345	24,000

Deferred consideration

Deferred consideration of £447,000 (2014: £465,000) relates to Marsh & Parsons acquisition in November 2011. This is payable at any time between 31st March 2016 and 31st March 2020 at the option of management of Marsh & Parsons Ltd. No interest is payable on this. There is also a deferred consideration of £2,422,000 relating to LMS acquisition from September 2014 relating to the purchase of an additional stake in LMS.

Contingent consideration

£1,518,000 (2014: £4,501,000) of contingent consideration relates to the Growth Shares acquired by the management of Marsh & Parsons subsequent to acquisition as an incentive to grow the Marsh & Parsons business. Holders of Growth Shares will have the option to require LSL to buy their Growth Shares at any time between 1st January 2016 and 1st April 2020, at their discretion, at a price determined by a multiple of EBITDA in the previous financial year. The payment of the consideration is contingent on the holder of the Growth Shares being continuously employed by the relevant company and consequently the expected value of the Growth Shares is charged to the income statement over the earn-out period.

£3,093,000 (2014: £957,000) of contingent consideration relates to payments to third parties in relation to the acquisition of LMS in September 2014 (see Note 17 in the Group Financial Statements). This is payable in 2016 and the payout will vary depending on the profitability of LMS in 2015.

The table below shows the allocation of the contingent consideration balance between the various categories:

	2015 £'000	2014 £'000	As at 1st Jan 2014 £'000
Remuneration	**1,518**	4,501	2,220
Put options over non-controlling interests	**3,093**	957	–
Closing balance	**4,611**	5,458	2,220

Bank loans – revolving credit facility and overdraft

The Company's bank loan totals £45.5m (2014: £34.0m) and the Company's overdraft totals £19.5m (2014: £26.5m). The bank loan is secured via a cross guarantee issued from all of the Group's subsidiaries excluding the following subsidiaries, Lending Solutions, Homefast Property Services, Linear Financial Solutions (including Linear Mortgage Network), Templeton LPA, Pink Home Loans, Barnwoods, Chancellors Associates and LSLi and its subsidiaries.

The 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 £100.0m facility (2014: £100.0m). The Company's overdraft is also secured on the same facility and the combined overdraft and revolving credit facility cannot exceed £100.0m (2014: £100.0m). The banking facility was renewed in June 2013 for a further period until August 2017.

The interest rate applicable to the facility is LIBOR plus a margin rate of 1.50% (2014:1.50%). The margin rate is linked to the leverage ratio of the Group and the margin rate is reviewed at six monthly intervals.

10. Deferred tax

Deferred tax asset	2015 £'000	2014 £'000
Deferred tax asset at 1st January	–	142
Deferred tax credit/(charge) in profit and loss account for the year	8	(142)
Deferred tax asset at 31st December	8	–

Deferred tax liability	2015 £'000	2014 £'000
Deferred tax liability at 1st January	(3,869)	(6,633)
Deferred tax (charge) in profit and loss account for the year	(24)	–
Deferred tax (charge)/credit to other comprehensive income	(457)	2,764
Deferred tax liability at 31st December	(4,350)	(3,869)

As at 31st December 2015, the Company adopted IFRS and as such the opening balances as at 1st January 2014 have been restated to reflect the change in policy from UK GAAP to IFRS.

Deferred tax is in relation to temporary differences.

In July 2015, the UK government announced proposals to reduce the main rate of corporation tax to 19% from 1st April 2017, and further reduced to 18%, effective from 1st April 2020. As of 31st December 2015 reductions to the main rate of corporation tax to 18% had been enacted. Accordingly, this is the rate at which deferred tax has been provided.

11. Called up share capital

	2015		2014		1 Jan 2014	
	Shares	£'000	Shares	£'000	Shares	£'000
Authorised:						
Ordinary Shares of 0.2p each	500,000,000	1,000	500,000,000	1,000	500,000,000	1,000
Issued and fully paid:						
At 1st January and 31st December	104,158,950	208	104,158,950	208	104,158,950	208

12. Reserves

For a description of the reserves refer to Note 25 to 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 has operated long-term incentive plans (including JSOP and CSOP) and a number of SAYE schemes for the employees in the Company and the Group. See Note 12 to the Group Financial Statements for details of the LTIP, JSOP, CSOP, SIP/BAYE and the SAYE schemes.

Fair value reserve
The fair value reserve is used to record the changes in fair value of financial assets held for sale. Due to the first time adoption of IFRS within the Parent Company financial statements during the current year, the fair value reserve has been restated for the conversion changes which applied. Note 5 gives further details of the movement in the current year.

13. Company profit /loss for the financial year after tax

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The loss after tax for the year was £3.6m (2014: profit of £36.6m).

Remuneration paid to Directors of the Company is disclosed in Note 12 to the Group Financial Statements.

The Company paid £243,733 (2014: £124,434) to its auditors in respect of the audit of the Financial Statements of the Company.

Fees paid to the external auditors and their associates for non-audit services to the Company itself are not disclosed in the individual accounts of the Company because Group financial statements are prepared which are required to disclose such fees on a consolidated basis. These are disclosed in Note 9 to the Group Financial Statements.

14. 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 and recommenced in 2010.

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) was 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 and recommenced in 2010. Total contributions to the defined contribution schemes in the year were £40,787 (2014: £70,217). There were no outstanding amounts in respect of pensions as at 31st December 2015 (2014: £nil).

The Parent Company headcount at 31st December 2015 was nil (2014: nil). This is due to employment contracts being drawn up within the subsidiaries and not within the Parent Company itself.

15. Capital commitments

The Company had no capital commitments as at 31st December 2015 (2014: none).

16. Related party transactions

During the year the transactions entered into by the Company are as follows:

	Sales to related parties £'000	Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Wholly owned subsidiaries				
2015	–	–	23,175	131,087
2014	–	–	23,100	103,543
1st January 2014	–	–	13,316	100,712

	Sales to related parties £'000	Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Non-wholly owned subsidiaries				
2015	–	–	15,906	10,000
2014	–	–	12,358	5,000
1st January 2014	–	–	4,827	5,583

17. Financial instruments – risk management

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

It is the Company's policy that trading in derivatives shall not be undertaken, apart from interest rate swap agreements, which expired during 2014.

The Company is exposed through its operations to 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The majority of external Company borrowings are variable interest based and this policy is managed centrally. The subsidiaries are not permitted to borrow from external sources directly without approval from the Head Office team.

In 2009 the Company entered into interest rate swap agreements to fix interest rates on £25.0m of the Company's bank borrowings. The interest rate swap agreements fixed LIBOR to approximately 2.9% until April/May 2014 and had expired at 31st December 2014. At 31st December 2015 none of the Company's RCF is at a fixed rate of interest (2014: nil%).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings, which is not covered by the fixed interest rate swap. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings as follows. There is no material impact on the Company's equity.

	Increase/decrease in basis point	Effect on profit before tax £'000
2015	**+100**	**(455)**
	-100	**455**
2014	+100	(340)
	-100	340
1st January 2014	+100	(240)
	-100	240

Liquidity risk

The Company aims to mitigate liquidity risk by managing cash generation by its operations, dividend policy and acquisition strategy. Acquisitions are carefully selected with authorisation limits operating up to Group Board level and cash payback periods applied as part of the investment appraisal process. In this way the Company aims to maintain a good credit rating to facilitate fundraising. The Company is also very cash generative as demonstrated by the cash from operations. The Company has net current liabilities due to the operating model where debtors are collected earlier than payments to creditors, allowing the cash to be used elsewhere in the business such as to reduce the amount drawn down on the revolving credit facility and to make acquisitions. However, the requirement to pay creditors is managed through future cash generation and, if required, from the revolving credit facility.

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool and daily cash flow reporting. This includes consideration of the maturity of both its financial investments and financial assets (e.g. accounts receivable, and other financial assets) and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility for potential acquisitions through the use of its banking facilities.

17. Financial instruments – risk management (continued)

The table below summarises the maturity profile of the Company's financial liabilities at 31st December 2015 based on contractual undiscounted payments:

Year ended 31st December 2015

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Contingent consideration	–	–	3,093	1,536	–	4,629
Deferred consideration	–	–	2,422	575	–	2,997
	–	–	5,515	2,111	–	7,626

Year ended 31st December 2014

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Contingent consideration	–	–	–	1,415	6,160	7,575
Deferred consideration	–	–	–	2,422	636	3,058
	–	–	–	3,837	6,796	10,633

The liquidity risk of the Company entity is managed centrally by the Group treasury function. The Company's cash requirement is monitored closely. All surplus cash is held centrally to offset against the Company's borrowings and reduce the interest payable. The type of cash instrument used and its maturity date will depend on the Company's forecast cash requirements. The Company has a revolving credit facility with a syndicate of major banking corporations to manage longer term borrowing requirements.

Capital management

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

In the medium to long-term, the Company will strive to maintain a reasonable leverage (i.e. balance between debt and equity) to help achieve the Company's business objectives of growth (through acquisitions and organic growth) and dividend policy. In the short term, the Company does not have a set leverage ratio to be achieved but the Directors monitor the ratio of net debt to operating profit to ensure that the debt funding is not excessively high. Certain loan notes issued on acquisition of Marsh & Parsons are excluded from this ratio as they are unsecured and are not relevant to calculate the Company's banking covenant.

Credit risk

There are no significant concentrations of credit risk within the Company.

Interest rate risk profile of financial assets and liabilities

Treasury policy is described in the Note above. The 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 31st December 2015 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 Years £'000	Total £'000
Fixed rate					
Revolving credit facility	–	–	–	–	–
Floating rate					
Revolving credit facility	(65,028)	–	–	–	(65,028)

The effective interest rate and the actual interest rate charged on the loans in 2015 are as follows:

	Effective rate	Actual rate
Revolving credit facility	3.2%	2%

17. Financial instruments – risk management (continued)

The effective interest rate on the revolving credit facility during the year is higher than the actual rate due to commitment fees payable on undrawn amounts. The effective rate on 12% unsecured loan notes is low due to the loan notes being recorded at fair value on initial issue in 2011.

The interest rate profile of the financial assets and liabilities of the Group as at 31st December 2014 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 Years £'000	Total £'000
Fixed rate					
Revolving credit facility	–	–	–	–	–
Floating rate					
Revolving credit facility	(60,525)	–	–	–	(60,525)

The effective interest rate and the actual interest rate charged on the loans in 2014 are as follows:

	Effective rate	Actual rate
Revolving credit facility	4.3%	2%

The effective interest rate on the revolving credit facility during the year is high due to commitment fees payable on undrawn amounts earlier in the year. The effective rate on 12% unsecured loan note is low due to the loan note being recorded at fair value on initial issue in 2011.

The interest rate profile of the financial assets and liabilities of the Group as at 1st January 2014 are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 Years £'000	Total £'000
Fixed rate					
Revolving credit facility	–	–	–	–	–
Floating rate					
Revolving credit facility	(47,589)	–	–	–	(47,589)

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 Statement:

	2015		2014	
	Book Value £'000	**Fair Value £'000**	Book Value £'000	Fair Value £'000
Financial assets				
Cash and cash equivalents	**–**	**–**	–	–
Available-for-sale financial assets	**27,097**	**27,097**	21,343	21,343
Financial liabilities				
Interest-bearing loans and borrowings:				
Floating rate borrowings	**(65,028)**	**(65,028)**	(60,525)	(60,525)
Contingent consideration	**(4,611)**	**(4,611)**	(5,458)	(5,458)
Deferred consideration	**(2,869)**	**(2,869)**	(2,887)	(2,887)

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.

Fair value hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

17. Financial instruments – risk management (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

2015	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	27,097	27,097	–	–
Liabilities measured at fair value				
Contingent consideration	4,611	–	–	4,611
Deferred consideration	2,869	–	–	2,869
Liabilities for which fair values are disclosed				
Interest-bearing loans and borrowings:				
Floating rate borrowings	65,028	–	65,028	–

2014	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value				
Financial assets	21,343	21,343	–	–
Liabilities measured at fair value				
Contingent consideration	5,458	–	–	5,458
Deferred consideration	2,887	–	–	2,887
Liabilities for which fair values are disclosed				
Interest-bearing loans and borrowings:				
Floating rate borrowings	60,525	–	60,525	–

At 31st December 2015, our stake in Zoopla has been valued at £27,097,000 based on the Zoopla share price at that date of £2.40 per share which qualifies as a Level 1 technique.

The contingent consideration relates to amounts payable in the future on acquisitions. The amounts payable are based on the amounts agreed in the contracts and based on the future profitability of each entity acquired. In valuing each provision, estimates have been made as to when the options are likely to be exercised and the future profitability of the entity at this date. Further details of these provisions are shown in Note 21 of the Group Financial Statements. If the future profitability of the entities was to decline by 10%, the size of the contingent consideration would decrease by approximately £0.6m.

Fair values of the Company's interest-bearing borrowings and loans are determined by using discounted cash flow (DCF) methodology using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31st December 2015 was assessed to be insignificant.

Other Information

In this section

Marsh & Parsons branch, Upper Tooting Road

Definitions

"**2011 EBT**" employee benefit trust established in November 2011 as part of the acquisition of Marsh & Parsons.

"**Adjusted Basic Earnings Per Share**" or "**Adjusted Basic EPS**" is defined at Note 10 to the Financial Statements.

"**AGM**" Annual General Meeting.

"**Advance Mortgage Funding**" trading name of Advance Mortgage Funding Limited.

"**Albany**" refers to Albany Insurance Company (Guernsey) Ltd.

"**AMI**" Association of Mortgage Intermediaries.

"**ARLA**" Association of Residential Lettings Agents.

"**ASA**" Advertising Standards Authority.

"**Asset Management**" refers to LSL's repossessions asset management and property management for multi property landlords services.

"**Audit Committee**" LSL's Audit Committee.

"**Auditor Independence Policy**" LSL policy relating to non audit services provided by the external auditor.

"**Basic Earnings Per Share**" or "**EPS**" is defined at Note 10 to the Financial Statements.

"**Board**" the board of Directors of LSL.

"**BAYE**" 'buy as you earn' (also referred to as SIP).

"**CMA**" Competition and Markets Authority.

"**Committees**" refers to LSL's Nominations Committee, the Audit Committee and the Remuneration Committee.

"**Company**" and "**Parent Company**" refers to LSL Property Services plc.

"**Companies Act**" Companies Act 2006.

"**Corporate Client Services**" comprising LSL Corporate Client Services Limited, Templeton LPA Limited and St Trinity Limited providing repossession, asset management and corporate letting services.

"**Chancellors Associates**" trading name of Chancellors Associates Limited.

"**Chairman**" Simon Embley.

"**Chairman of the Audit Committee**" during 2015, Mark Morris.

"**CML**" Council of Mortgage Lenders.

"**Code**" UK Code of Corporate Governance published by the Financial Reporting Council (FRC) (September 2014 edition).

"**Company Secretary**" Sapna B FitzGerald.

"**CCAS**" Consumer Codes Approval Scheme.

"**Connells**" Connells Limited.

"**CSOP**" company share ownership plan.

"**CSR**" corporate social responsibility.

"**Davis Tate**" trading name of Davis Tate Limited.

"**Director**" an Executive Director or Non Executive Director of LSL.

"**DMGT**" trading name of Daily Mail and General Trust plc.

"**EBITDA**" earnings, before interest, taxes, depreciation and amortisation.

"**Embrace Mortgage Services**" trading name of LSLi.

"**EPC**" energy performance certificate.

"**EPS**" earnings per share.

“**Ernst & Young**” Ernst & Young LLP.

“**ESG**” environmental, social and governance.

“**ESOS**” energy savings opportunity scheme.

“**ESOT**” LSL’s employee share trust.

“**Estate Agency Division**” or “**Estate Agency**” includes LSL’s Residential Sales, Lettings, Financial Services, LPA fixed charge receiver and Asset Management businesses.

“**Estate Agency and Related Services**” refers to LSL’s Estate Agency Division.

“**e.surv**” or “**e.surv Chartered Surveyors**” trading names of e.surv Limited.

“**Executive Director(s)**” refers to Ian Crabb, Adam Castleton and Adrian Gill.

“**FCA**” Financial Conduct Authority.

“**Financial Services**” refers to LSL’s financial services (including mortgage, general insurance and protection brokerage and the operation of intermediary networks).

“**First Complete**” trading name of First Complete Limited.

“**Financial Statements**” financial statements contained in this Report.

“**FRC**” Financial Reporting Council.

“**Frosts**” trading name of David Frost Estate Agents Limited.

“**FSMA**” Financial Services and Markets Act 2000.

“**GFL**” Group First Limited.

“**Group**” LSL Property Services plc and its subsidiaries.

“**Group Chief Executive Officer**” Ian Crabb.

“**Group Chief Financial Officer**” Adam Castleton.

“**Growth Shares**” the B and C classes of ordinary shares (each £0.001) in Marsh & Parsons (Holdings) Limited.

“**Goodfellows**” trading name of GFEA Limited.

“**GPEA**” trading name of Guild of Professional Estate Agents Limited.

“**Hawes**” or “**Hawes & Co**” trading name of Hawes and Co Limited.

“**HEAL**” or “**Halifax**” Halifax Estate Agencies Limited.

“**HEAL Business**” HEAL branches and St Trinity Asset Management (formerly HEAL Corporate Services).

“**HEAL Corporate Services**” the asset management business operated by HEAL.

“**HMRC**” Her Majesty’s Revenue and Customs.

“**Homefast**” Homefast Property Services Limited.

“**Home of Choice**” or “**HoC**” division within First Complete.

“**Home Report**” a report which includes a single survey, energy report and property questionnaire and which must accompany all residential property marketing in Scotland.

“**IBNR**” incurred but not reported.

“**IFRS**” International Financial Reporting Standards.

“**Intercounty**” trading name of ICIEA Limited.

“**IPO**” initial public offering.

“**JNP**” trading name of JNP Estate Agents Limited.

“**JSOP**” joint share ownership plan.

“**KPI**” key performance indicators.

“**Lauristons**” trading name of Lauristons Limited.

“**Lawlors**” trading name of Lawlors Property Services Limited.

“**Legal Marketing Services**” and “**LMS**” and “**LMS Direct Conveyancing**” are trading names of LMS Direct Conveyancing Limited and Cybele Solutions Holdings Limited.

“**Lending Solutions**” Lending Solutions Holdings Limited.

“**Lettings**” refers to LSL’s residential property lettings and property management services.

“**Lexis Nexis**” part of the RELX Group plc.

“**Linear**” and “**Linear Financial Solutions**” are trading names of Linear Mortgage Network Limited.

“**Lloyds Banking Group**” Lloyd Bank plc group of companies.

“**LPA**” the Law of Property Act 1925.

“**LSLi**” LSLi Limited and its subsidiaries (during 2015 these included JNP, Intercounty, Frosts, Goodfellows, Davis Tate, Lauristons, Lawlors, Hawes & Co and Thomas Morris).

“**LSL**”, “**Group**” and “**Parent Company**” refers to LSL Property Services plc and its subsidiaries.

“**LSL Corporate Client Department**” trading name of LSL Corporate Client Services Limited.

“**Land and New Homes**” trading style used by members of the Estate Agency Division.

“**LTIP**” long-term incentive plan.

“**Lush Retail**” Lush Retail Limited.

“**Management Team**” senior management teams within the Group including the Executive Directors.

“**Marsh & Parsons**” trading name of Marsh & Parsons Limited.

“**NAEA**” National Association of Estate Agents.

“**NBS**” or “**New Bride Street**” trading name of Aon Hewitt Limited.

“**Net Bank Debt**” see Note 29 to the Financial Statements.

“**NFoPP**” National Federation of Property Professionals.

“**Non Executive Director**” refers to Helen Buck, Kumsal Bayazit Besson, Mark Morris, Bill Shannon, David Stewart and Simon Embley.

“**Notice of Meeting**” the circular made available to shareholders setting out details of the AGM.

“**Note**” refers to Notes to the Financial Statements.

“**OCI**” refers to other comprehensive income.

“**OFT**” Office of Fair Trading.

“**Openwork**” trading name of Openwork Limited.

“**Ordinary Shares**”or “**Shares**” 0.2p ordinary shares in LSL.

“**Palmer and Harvey**” trading name of Palmer and Harvey McLane Limited.

“**PI**” professional indemnity.

“**PI Costs**” costs relating to on-going and expected future PI claims relating to Surveying and Valuation Services.

“**Pink Home Loans**” or “**Pink**” are trading names for Advance Mortgage Funding Limited (AMF) and BDS Mortgage Group Limited.

“**RCF**” revolving credit facility.

“**Reeds Exhibitions**” part of the RELX Group plc.

“**Reeds Rains**” trading name of Reeds Rains Limited.

“**Reeds Rains Financial Services**” trading name of Reeds Rains Financial Services Limited.

“**Registered Office**” Newcastle House, Albany Court, Newcastle Business Park, NE4 7YB.

“**Report**” LSL’s annual report and accounts 2015.

“**Residential Sales**” refers to LSL’s services for residential property sales.

“**RICS**” Royal Institution of Chartered Surveyors.

“**Sainsbury’s**” Sainsbury’s Supermarkets Limited.

“**SAYE**” save-as-you-earn.

“**Senior Independent Non Executive Director**” refers to Bill Shannon.

“**Shareholders**” shareholders of LSL.

“**SIP**” share incentive plan (also referred to as BAYE).

“**St Trinity Asset Management**” trading name of St Trinity Limited.

“**Surveying Division**” or “**Surveying**” includes LSL’s Surveying and Valuation Services businesses.

“**Surveying and Valuation Services**” or “**Surveying Services**” refers to LSL’s Surveying Division.

“**Templeton**” trading name of Templeton LPA Limited.

“**Thomas Morris**” trading name of Thomas Morris Limited.

“**The Mortgage Alliance**” or “**TMA**” are trading names of First Completes’ mortgage club.

“**TM**” TM Group Limited.

“**TPO**” The Property Ombudsman.

“**Trust**” or “**Employee Benefit Trust**” or “**ESOT**” LSL Property Services plc Employee Benefit Trust.

“**Trustees**” Capita Trustee Limited.

“**TSI**” Trading Standards Institute.

“**TSR**” total shareholder return.

“**Underlying Operating Margin**” operating profit before exceptional costs, contingent consideration, amortisation and share-based payments show as a percentage of turnover.

“**Underlying Operating Profit/Loss**” before exceptional costs, contingent consideration, amortisation of intangible assets and share-based payments.

“**VEM**” Vibrant Energy Matters Limited.

“**Walker Fraser Steele**” a trading name and division of e.surv.

“**Your Move**” trading name of your-move.co.uk Limited.

“**Zoopla**” trading name of Zoopla Property Group plc.

Shareholder 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

Head Office:
1 – 3 Sun Street, London, EC2A 2EP
Telephone: 0203 215 1015
Facsimile: 0207 920 9443
Email: enquiries@lslps.co.uk
Website: www.lslps.co.uk

Share listing
LSL Property Services plc 0.2p Ordinary Shares are listed on the London Stock Exchange under ISIN GB00BIG5HX72

Registrar
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham Kent
BR3 4TU

Telephone: 0871 664 0300.

Calls cost 12p per minute plus your phone company's access charge. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales.
Website: www.capitaassetservices.com
Email: shareholderenquiries@capita.co.uk

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

Provisional calendar of events

Preliminary Results Released	**3rd March 2016**
AGM Proxy Form Deadline	**4.30 pm 26th April 2016**
AGM	**4.30 pm 28th April 2016**

The AGM will be held at LSL's offices at 1-3 Sun Street, London EC2A 2EP. The Notice of Meeting details the proposed resolutions.

In accordance with its Articles of Association, LSL publishes shareholder information, including notice of AGMs and the Annual Report and Accounts on its website, 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.

LSL's Articles of Association enable all communications between Shareholders and LSL to be made in electronic form (as permitted by the Companies Act 2006). Documents will be supplied via LSL's website to Shareholders who have not requested a hard copy, or provided an email address to which documents of information may be sent. Where a Shareholder has consented to receive information via the website, a letter will be sent to the Shareholder on release of any information directing them to the website.

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

www.lslps.co.uk
Registered in England (Company Number 5114014)

Registered Office:
Newcastle House Albany Court
Newcastle Business Park Newcastle upon Tyne NE4 7YB
Telephone: 0203 215 1015
Facsimile: 0207 920 9443
Email: enquiries@lslps.co.uk

Shareholder Notes

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Directors' Report and Corporate Governance Reports

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