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31 July 2012

Interim Results For the six months ended 30 june 2012

LSL Property Services plc (LSL) a leading provider of residential property services incorporating estate agency and surveying businesses (Group), announces its interim results for the six months ended 30 June 2012.

# Highlights	2012	2011	Change
Group revenue	£120.8m	£103.4m	+17%
Group Underlying Operating Profit[(1)]	£14.5m	£11.8m	+23%
Overall operating margin	12.0%	11.5%	+0.5%
Like-for-like Group revenue [(2)]	£108.0m	£103.4m	+4.5%
Like-for-like Group Underlying Operating Profit [(2)]	£11.6m	£11.8m	-1.7%
Like-for-like operating profit margin	10.7%	11.5%	-0.8%
(Loss)/Profit before tax	(£7.9m)	£6.5m	-222%
Basic (loss)/earnings per share	(6.0p)	4.7p	-228%
Adjusted basic earnings per share	9.6p	7.7p	+25%

Continued strong cash generation – cash inflow from operations before exceptional costs	£13.4m	£7.2m	+86%
Half year dividend	3.1p	2.8p	+11%

- Strong financial performance underpinned by Marsh & Parsons Limited (Marsh & Parsons)
- Impressive growth in the Estate Agency division
- Continuing to invest in lettings, market share and counter cyclical income streams
- Surveying division impacted by contract renewals and provision for professional indemnity claims (PI)
- Excellent cash generation and interim dividend up 11%
- Remain cautious on market conditions

- Additional exceptional PI provision of £17.3m (after tax £13.1m) relating to valuations completed between 2004 and 2008 which was a high risk period for the surveying industry. Cash flow impact is estimated to be spread over the next three years
- Disposal of freehold properties acquired as part of the Halifax Estate Agencies Limited (HEAL) acquisition is expected to realise proceeds of £10m (after tax £9.0m) over the next two years

- Net bank debt(3) was £36.8m at 30 June 2012 (30 June 2011: £4.4m) following the acquisition of Marsh & Parsons for an initial consideration of £45.4m

Surveying Performance

- Underlying Operating Profit was £9.7m (2011: £12.8m). Operating margin was 28.2% (2011: 33.3%)
    - Profit decline driven by contract renewals and reduction in market share of certain key lenders
    - Continued growth in the provision of surveying services to private buyers with revenue of £1.8m during the period (2011: £1.3m)

Estate Agency Performance

- Underlying Operating Profit was £6.5m (2011: £0.6m)
- Like-for-like Underlying Operating Profit (2) was £3.6m (2011: £0.6m)
    - Like-for-like lettings revenue growth of 24% to £16.8m (2011: £13.6m) and like-for-like financial services growth of 17% to £14.4m (2011: £12.3m)
    - Marsh & Parsons delivered a strong first six month contribution, in line with expectations

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(1) Underlying Operating Profit is before exceptional costs, amortisation of intangible assets and share-based payments

(2) Excluding Marsh & Parsons which was acquired in November 2011

(3) Refer to note 8 of the Condensed Group Financial Statements for calculation

Commenting on today's announcement, Roger Matthews, Chairman, said:

"The Group expects to build on the first half results in lettings and financial services and to continue to drive the strategic initiatives to increase the provision of surveying services to private buyers and to grow market share in estate agency. Marsh & Parsons will contribute significantly to profits in the second half and provide further growth potential in the strategically important Central London market.

The Group is highly cash generative with relatively low levels of gearing providing scope for further selective acquisitions, which combined with various organic growth initiatives leaves us well placed to increase shareholder value in the medium term, even without market recovery."

For further information, please contact:

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Notes to Editors:

LSL is a leading provider of residential property services to its key customer groups. Services to consumers include: residential sales, lettings, surveying, 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. For further information, and for a copy of the half yearly report for the period to 30 June 2012, please visit LSL's website: www.lslps.co.uk

Chairman's Statement

Introduction

I am pleased to report a 17% increase in Group revenue to £120.8m (2011: £103.4m) and a 23% increase in Group Underlying Operating Profit to £14.5m (2011: £11.8m) for the six months ended 30 June 2012. This is a very good performance as, despite some small improvement, housing market transactions remain at a significantly depressed level compared to historical norms. Total mortgage approvals(4) of 589,000 were 2% lower than 2011 although house purchase approvals(4) of 304,000 were 7% higher than the prior year.

The Estate Agency division has delivered an impressive growth in Underlying Operating Profit, with strong increases reported in all income streams across residential sales, lettings, financial services and asset management. The division has also benefited from a full six month contribution from Marsh & Parsons, which has delivered in line with expectations.

As previously announced, the Surveying division has been impacted by a major contract renewal and also by reduction in market share of certain key lenders. Despite this, the division remains the clear market leader in the provision of residential mortgage valuations and panel management services, and maintains its leadership in customer service and innovation to its client base. The demand for surveying services from private buyers continues to grow and we have expanded the distribution channels for these products.

During the period we have substantially increased our PI provisions following a recent deterioration in our claims experience for the high risk period of 2004 to 2008. This is a disappointing development and reflects a deterioration in claims experience resulting from certain lenders using solicitors on a ‘no win – no fee’ basis and pursuing claims we previously considered dormant. In addition, new claims are continuing at a high level and as a result our estimation of future claims likely to arise relating to this period has also increased significantly. However, as these claims relate to an historic period, these provisions do not impact current trading and the cash flow impact, estimated to be spread over the next three years, is expected to be largely offset by a programme for the disposal of freehold properties.

The business is very cash generative, with cash inflow from operations before exceptional costs of £13.4m (2011: £7.2m). Net bank debt at the half year was £36.8m and the Group has committed bank facilities of £75m through to March 2014. I am delighted to report an increase in our interim dividend of 11% to 3.1 pence per share. The dividend will be paid on 10 September 2012 to shareholders on the register at 10 August 2012.

Financial Results

- Group revenue increased by 17% to £120.8m (2011: £103.4m)
- Like-for-like Group revenue (1) increased by 4.5% to £108.0m (2011: £103.4m)
- Group Underlying Operating Profit(2) increased by 23% to £14.5m (2011: £11.8m)
- Like-for-like Group Underlying Operating Profit (2) was £11.6m (2011: £11.8m)
- Overall operating margin was 12.0% (2011: 11.5%). Like-for-like operating profit margin was 10.7% (2011: 11.5%)
- Net interest payable was £1.7m (2011: £0.8m) and the Group profit before tax, amortisation and exceptional cost/profit was £12.4m (2011: £10.7m).
- Loss before tax was £7.9m (2011: profit before tax £6.5m), including total exceptional charges of £17.3m (2011: £0.2m).
- Loss per share of 6.0p (2011: earnings per share of 4.7p). Adjusted basic earnings per share of 9.6p (2011: 7.7p)
- Interim dividend increased by 11% to 3.1p per share (2011 : 2.8p)

(1) Excluding Marsh & Parsons which was acquired in November 2011

(2) Underlying Operating Profit is before exceptional costs, amortisation of intangible assets and

share-based payments

(3) *Refer to note 8 of the Condensed Group Financial Statements for calculation*

(4) *Source: Bank of England for "House Purchase Approvals" and "Total Mortgage Approvals"*

Cash flow and Balance Sheet

The Group has again delivered strong operating cash generation in the first half of 2012 with cash inflow from operations before exceptional costs of £13.4m (2011: £7.2m). Total capital expenditure during the first half of 2012 increased by £0.8m to £2.4m (2011: £1.6m) with all of the increase relating to Marsh & Parsons.

Operating cash flow included PI payments of £3.8m (2011: £1.2m) which related to settlements for incorrect valuations in the 2004 to 2008 period. The increase in payments was driven by the continuation of the trend for previously disputed cases moving to negotiated settlement more quickly.

Net assets at 30 June 2012 were £60.7m (2011: £66.3m). Net bank debt at 30 June 2012 was £36.8m representing an increase of £32.4m from 30 June 2011 which was driven mainly by the acquisition of Marsh & Parsons. Compared to 31 December 2011, net bank debt has increased by £0.3m due to the relatively weak seasonal Estate Agency division cashflows, planned cash outflows relating to dividends and tax, higher PI payments and payment of the initial consideration for the acquisition of Davis Tate Limited (Davis Tate).

Interim Dividend

The Board has declared an interim dividend payable of 3.1 pence per share, an increase of 11% on last year (2011: 2.8p). The dividend payment reflects the very good growth in underlying earnings and the contribution from our successful acquisition of Marsh & Parsons. Our strong cash generation and balance sheet underpin our confidence in future prospects. The dividend will be paid on 10 September 2012 to shareholders on the register at 10 August 2012.

Surveying Division and PI

- Surveying turnover decreased by 10% to £34.4m (2011: £38.3m), and the Underlying Operating Profit decreased by 24% to £9.7m (2011: £12.8m). The overall Surveying operating margin was 28.2% (2011: 33.3%)

Our Surveying division has continued to focus on delivering excellent service to lender clients against the backdrop of some significant contract changes and further volatility in lender market shares. Revenue was impacted as expected by a major contract renewal which was effective from 1 January 2012. We had previously indicated that we were unlikely to renew the C&G contract at the end of its five year term and this work has now been taken in house by the Lloyds Banking Group from 1 July 2012. In addition some other key lenders have seen their market shares fall in the period which has directly impacted the Group's revenues.

We have made good progress growing revenues from the provision of surveying services for private buyers. Revenue for the six months to 30 June 2012 was £1.8m (2011: £1.3m) though this was held back during the first quarter as lenders who were experiencing lower market share provided reduced levels of referrals for private surveys. During the second quarter we expanded our distribution channels further which resulted in an overall 38% increase in revenue compared to the first quarter and the annualised June 2012 revenue run rate was £4.1m.

We have made additional PI provision of £17.3m, £13.1m after tax due to the recent deterioration in claims experience relating to the 2004 to 2008 period. This 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. High levels of claims have been an industry wide problem. Since then, the market has changed materially and, as previously announced, we have tightened our own internal processes and controls. We have however 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.

The increase in the PI provision is partly driven by lenders, most of whom are no longer active in the market, pursuing notifications and claims previously considered dormant. It has also been necessary to make additional provisions for existing claims which are being aggressively pursued by lenders who often use solicitors engaged on a no win, no fee basis. This trend has increased recently in advance of April 2013 when it is expected that the legislation governing civil litigation will change. Both these factors have had a significant impact on the 'Incurred But Not Reported' (IBNR) provision required for notifications and claims estimated to be received in the future for the 2004 to 2008 period. The primary statutory limitation for this period ends during 2014. It should be noted this is the Board's best estimate of future claims and the conclusions on the appropriate level of IBNR provision are sensitive to small changes in assumptions and are therefore highly subjective.

The £13.1m after tax cashflow impact of the exceptional PI provision is estimated to occur over the next three years and will be partly offset by a programme to dispose of freehold properties currently held in the balance sheet. As discussed further below, this is expected to raise circa £9.0m after tax over the next two years.

Estate Agency Division

- Estate Agency turnover increased by 33% to £86.4m and generated an Underlying Operating Profit of £6.5m (2011: £0.6m)
- On a like-for-like basis Estate Agency turnover increased by 14% to £73.6m (2011: £64.8m) and generated an Underlying Operating Profit of £3.6m (2011: £0.6m)
- Marsh & Parsons contributed to the trading result with an operating profit of £2.9m (turnover £12.8m).

The Estate Agency division delivered an excellent first half underpinned by strong performances from recent acquisitions and by high levels of lettings and financial services growth. Like-for-like lettings revenue increased by 24% to £16.8m (2011: £13.6m) and now represents 61% of residential sales income (2011: 54%). Our medium term objective is to increase lettings revenue to a similar level to residential sales income which increased by 10% to £27.5m (2011: £25.1m). The increase in residential sales income has been driven by the investments made last year in various market share improvement initiatives, including 'The Bridge' call centre. However, residential sales income has been impacted by lower levels of house exchanges caused by a recent tightening of mortgage lending criteria.

Financial services revenue across our Estate Agency branches and intermediary networks increased by 17% to £14.4m (2011: £12.3m) and in total the Group arranged mortgage lending of £3.6bn (2011: £3.2bn). The performance of our intermediary networks, trading as Pink, First Complete and Linear, have continued to improve and by 2013 we will have rolled out a new common platform in these businesses which will both improve customer service and increase operational efficiency.

The lettings and financial services revenue growth has contributed to further improvement in the profitability of the branches that were acquired in 2010 as part of the HEAL acquisition and this trend is expected to continue as the lettings and financial income streams continue to mature.

We are pleased with the progress made by Marsh & Parsons during its first full six months under our ownership. The London market has been challenging with residential sales income constrained by lack of stock coming to the market. Lettings growth has partly compensated for this and overall revenue growth of 3% and operating profit of £2.9m (2011: £2.8m) was on plan. The business has increased market share in both residential sales and lettings in the period. Profit was impacted as a result of the planned costs of opening a new office in Earls Court, which has performed in line with expectations. The Marsh & Parsons management team has exciting growth plans for the future and a second new office is currently on track for opening in the Autumn. In addition, we are prepared to augment these plans with 'bolt on' acquisition opportunities where appropriate.

Together with lettings, our other key counter cyclical income stream is asset management, which contributed revenue of £8.1m during the first half of the year. This was 9% higher than the first half of 2011 and compares to what we estimate to have been a flat market in repossessions in the first six months of 2012 at 18,900 reposessions (2011: 18,900). Asset management has just won a significant new property management contract which will come on stream during the second half and will contribute annualised revenue of circa £1.3m from 2013.

The residential sales market has now been operating at half of normal historic levels of volume for over four years and our view is that this is not likely to improve significantly in the medium term. Therefore we have conducted a review of our Estate Agency branches and decided to close a number of Your Move and Reeds Rains branches. These are predominantly Northern branches which we have been unable to improve to viable levels of trading in the current market. The financial impact of these closures in 2012 is expected to be a £1m improvement in operating profit in the second half of 2012 and one off exceptional costs of closure of £1m.

The Group operates a leasehold business model though a number of freehold properties were acquired as part of the acquisition of HEAL in 2010. During the first half of 2012 we have started a disposal programme for these properties which will involve leasing back those which are still occupied. It is expected that this programme will raise circa £9.0m after tax over the next two years and £2.5m has been received as at 30 June 2012.

We have continued with our strategy of selective acquisitions. In January 2012 the Group increased its Estate Agency branch footprint in the South East by acquiring majority stakes in Davis Tate, a 11 branch estate agency chain operating in 14 locations within the Thames Valley for a cash consideration £1.6m and, Lauristons Limited (Lauristons), a 5 branch estate agency chain in South West London for a cash consideration of £1.8m during July 2012. Together, these businesses are expected to contribute between £0.5m and £1.0m of operating profit in the second half of the year.

In 2010 we acquired an investment on a joint venture basis in the TM Group (a property search company) and in 2011 we invested on a joint venture basis in the Legal Marketing Services Limited group (LMS), primarily a residential conveyancing and remortgage panel management business. Both investments are performing strongly and have contributed £0.4m of operating profit to the Group for the half year. We were also delighted that the merger between Zoopla and the Digital Property Group received early regulatory approval and has now been completed. We were able to increase our shareholding in Zoopla in advance of the merger and the Group now owns 4.8% of the new group. Performance since the transaction has been very strong and this now represents an excellent strategic shareholding for the Group.

Outlook

Housing market volumes remain constrained by a shortage of available mortgage finance and the continued general economic uncertainty. In addition, banks have recently enforced considerably tighter lending criteria and this has been impacting the levels of exchanges on house purchases. We retain a cautious view on the market and in the short term it is still unclear how the Olympics may impact the market.

However, the Group expects to build on the first half results in lettings and financial services and to continue to drive the strategic initiatives to increase the provision of surveying services to private buyers and to grow market share in Estate Agency. Marsh & Parsons will contribute significantly to profits in the second half and provide further growth potential in the strategically important Central London market. Overall the Board is confident of delivering further progress in 2012.

The Group is in a strong financial position as it is highly cash generative with relatively low levels of gearing. This provides scope for further selective acquisitions which combined with the various organic growth initiatives results in the Group being well placed to increase shareholder value in the medium term, even without market recovery.

Roger Matthews

31 July 2012

Principal risks and uncertainties

There are a number of risks and uncertainties facing the business in the second half of the financial year, especially, the current economic uncertainty within the Euro zone and the consequent difficulties in the financial markets could have further adverse impacts of lender behaviour in the UK market affecting mortgage availability.

The Board has reconsidered the risks and uncertainties listed below:

- Impact on lender behaviour caused by volatility and economic uncertainty both in the Euro zone and within the UK
- New exposure to central London property market
- Loss of key surveying or corporate services clients or contracts
- Liability for inaccurate professional services advice
- Failure to effectively delivery and manage the market share initiatives for Estate Agency
- Change in legislation, regulation or government policy.

These risks and uncertainties and mitigating factors are described in more detail on pages 24 and 25 of the 2011 Report & Accounts, dated 1 March 2012 (a copy of which is available on the Group's website at www.lslps.co.uk). Having reconsidered these risks and uncertainties the Board consider these to be still appropriate.

Forward-Looking Statements

This statement may contain forward-looking statements with respect to certain plans, 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, and they may cause the actual results or performance of LSL to be materially different from the results or performance implied by such statements. Any forward-looking statements will be by reference to the date of this statement only and must not be regarded as guarantees of future performance. Further, nothing in this statement should be construed as a profit forecast. Some of the factors which may affect LSL's actual future financial conditions, business performance and results are contained within the Business Review in the 'principal risks and uncertainties section' on pages 24 and 25 of LSL's Annual Report and Accounts 2011 and on page 7 of this statement, together with information on the management of the principal risks and uncertainties faced by LSL.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- The interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Sapna B FitzGerald

Company Secretary

Interim Group Income Statement

for the six months ended 30 June 2012

	Unaudited Six Months Ended	Audited Year Ended

	Note	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Revenue	3	120,786	103,365	218,381
Operating expenses:				
Employee and subcontractor costs		(70,255)	(60,308)	(124,786)
Establishment costs		(9,603)	(8,485)	(15,886)
Depreciation on property, plant and equipment		(1,634)	(1,121)	(2,581)
Other		(25,867)	(22,448)	(45,734)
		(107,359)	(92,362)	(188,987)
Rental income		722	555	1,044
Group's share in post tax profits of joint ventures		362	286	679
Group operating profit before exceptional (costs)/income, amortisation and share-based				

payments	3	**14,511**	**11,844**	**31,117**
Share-based payments		(568)	(340)	(787)
Amortisation of intangible assets		(3,001)	(3,952)	(8,472)
Exceptional costs	5	(17,310)	(245)	(2,214)
Group operating (loss)/profit	3	**(6,368)**	**7,307**	**19,644**
Finance income		3	6	4
Finance costs		(1,658)	(821)	(1,874)
Fair value movement of interest rate swap		146	–	(182)
Net financial costs		(1,509)	(815)	(2,052)
(Loss)/profit before tax	3	**(7,877)**	**6,492**	**17,592**
Taxation credit/(charge)				
- related to exceptional costs		4,118	69	570
- others		(2,415)	(1,779)	(4,927)
	7	1,703	(1,710)	(4,357)

(Loss)/profit for the period/year	**(6,174)**	**4,782**	**13,235**
Attributable to:			
– Owners of the parent	(6,183)	4,794	13,217
– Non-controlling interest	9	(12)	18
(Loss)/earnings per share expressed in pence per share:			
Basic and diluted	4(6.0)	4.7	12.9
Adjusted – Basic and diluted	49.6	7.7	21.0

Interim Group Statement of Comprehensive Income

for the six months ended 30 June 2012

	Unaudited Six Months Ended		Audited Year Ended
	30 June 2012	**30 June 2011**	31 December 2011

	£'000	**£'000**	£'000
(Loss)/profit for the period/year	(6,174)	4,782	13,235
Other comprehensive income for the period/year, net of tax	–	–	–
Total comprehensive income for the period/year, net of tax	(6,174)	4,782	13,235
Attributable to:			
– Owners of the parent	(6,183)	4,794	13,217
– Non-controlling interest	9	(12)	18

Interim Group Balance Sheet

as at 30 June 2012

	Note	**Unaudited six months ended**		Audited Year Ended
		At 30 June 2012	At 30 June 2011	31 December 2011
		£'000	£'000	£'000
Non-current assets				
Goodwill		118,781	74,932	116,452
Other intangible assets		18,041	13,661	21,042
Property, plant and equipment		13,683	14,350	17,491
Financial assets		1,244	347	347
Investments accounted for under the equity method		1,382	700	1,768
Total non-current assets		153,131	103,990	157,100

Current assets				
Trade and other receivables		33,401	30,795	28,681
Current tax asset		3,341	–	–
Cash and cash equivalents		337	269	435
Total current assets		37,079	31,064	29,116
Assets held for sale	9	2,576	–	–
Total assets		192,786	135, 054	186,216
Current liabilities				
Financial liabilities		(1,496)	–	(2,246)
Trade and other payables		(52,590)	(46,924)	(46,603)
Current tax liabilities		–	(1,903)	(3,372)
Provisions for liabilities	10	(5,839)	(440)	(706)
Total current liabilities		(59,925)	(49,267)	(52,927)
Non-current liabilities				
Financial liabilities		(48,003)	(6,494)	(46,782)
Deferred tax liability		(5,460)	(2,135)	(4,772)

Provisions for liabilities	10	(18,692)	(10,848)	(9,352)
Total non-current liabilities		(72,155)	(19,477)	(60,906)
Net Assets		60,706	66,310	72,383
Equity				
Share capital		208	208	208
Share premium account		5,629	5,629	5,629
Share-based payment reserve		1,447	467	912
Treasury shares		(2,691)	(3,109)	(2,747)
Retained earnings		56,051	63,092	68,328
Equity attributable to owners of parent		60,644	66,287	72,330
Non-controlling interests		62	23	53
Total Equity		60,706	66,310	72,383

Interim Group Statement of Cash Flows

for the six months ended 30 June 2012

	Unaudited Six Months Ended				Audited Year Ended	
	30 June 2012		30 June 2011		31 December 2011	
	£'000	£'000	£'000	£'000	£'000	£'000
Cash generated from operating activities						
(Loss)/profit before tax		(7,877)		6,492		17,592
Adjustments to reconcile profit before tax to net cash generated from operating activities						
Exceptional operating costs	17,310		245		2,214	
Amortisation of intangible assets	3,001		3,952		8,472	
Fair value movement of interest rate swap	(146)		–		182	
Finance income	(3)		(6)		(4)	
Finance costs	1,658		821		1,874	
Share-based payments	568		340		787	
		22,388		5,352		13,525

Group operating profit before exceptional costs, amortisation and share-based payments		**14,511**		**11,844**		**31,117**
Share of post tax profit of joint venture	(362)		(286)		(679)	
Depreciation	1,634		1,121		2,581	
Loss on sale of property, plant and equipment	88		6		8	
		1,360		841		1,910
(Increase)/decrease in trade and other receivables	(4,582)		(6,640)		(2,054)	
Increase/(decrease) in trade and other payables and provisions	2,070		1,194		(5,359)	
		(2,512)		(5,446)		(7,413)
Cash generated from operations pre exceptional costs		**13,359**		**7,239**		**25,614**
Exceptional costs paid		(188)		(245)		(1,315)
Cash generated from operations		**13,171**		**6,994**		**24,299**

Interest paid		(1,225)		(821)		(1,422)
Tax paid		(4,322)		(113)		(3,235)
Net cash from operating activities		**7,624**		**6,060**		**19,642**
Cash flows from investing activities						
Cash acquired on purchase of subsidiary undertakings and commercial business	239		–		5,707	
Purchase of subsidiary undertakings and commercial business	(1,776)		(150)		(46,826)	
Dividends received from joint venture	748		336		332	
Interest received	3		6		4	
Purchase of property, plant and equipment	(2,420)		(1,627)		(3,243)	
Proceeds from sale of property, plant and equipment	2,752		–		–	
Purchase of available-for-sale financial asset	(897)		–		–	
Proceeds from sale of available-for-sale financial asset	–		–		1,962	
Investment in Joint Venture	–		–		(671)	

Repayment of amounts due from sale of available-for-sale financial asset	–		981		-	
Net cash from investing activities		**(1,351)**		**(454)**		**(42,735)**

Interim Group Statement of Cash Flows

for the six months ended 30 June 2012

	Unaudited Six Months Ended				Audited Year Ended	
	30 June 2012		30 June 2011		31 December 2011	
	£'000	£'000	£'000	£'000	£'000	£'000
Cash flows from financing activities						
Proceeds from revolving credit facility	–		1,247		32,939	
Repayment of revolving credit facility	(300)		–		–	
Purchase of treasury shares (net of consideration received on reissue of treasury shares)	–		(857)		(804)	
Dividends paid	(6,071)		(6,065)		(8,945)	

Net cash used in financing activities		**(6,371)**		**(5,675)**		**23,190**
Net increase/(decrease) in cash and cash equivalents		(98)		(69)		97
Cash and cash equivalents at the beginning of the year		435		338		338
Cash and cash equivalents at the end of the year		**337**		**269**		**435**

Interim Group Statement of Changes in Equity

for the six months ended 30 June 2012

Unaudited six months ended 30 June 2012

	Share capital	**Share premium account**	**Share-based payment reserve**	**Investment in treasury shares**	**Retained earnings**	**Total equity**	**Non-controlling interests**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**

At 1 January 2012	**208**	**5,629**	**912**	**(2,747)**	**68,328**	**72,330**	**53**	**72,383**
Loss for the period	–	–	–	–	(6,183)	(6,183)	9	(6,174)
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	**208**	**5,629**	**912**	**(2,747)**	**62,145**	**66,147**	**62**	**66,209**
Reissuance of treasury shares	–	–	(33)	56	(23)	–	–	–
Share-based payments	–	–	568	–	–	568	–	568
Dividend paid	–	–	–	–	(6,071)	(6,071)	–	(6,071)
At 30 June 2012	**208**	**5629**	**1,447**	**(2,691)**	**56,051**	**60,644**	**62**	**60,706**

Treasury shares represent the cost of LSL Property Services plc shares purchased in the market and held by the Employee Benefit Trust to satisfy future exercise of options under the Group's share options schemes. At 30 June 2012 the Group held 1,246,288 (31December 2011: 1,269,389) of its own shares at an average cost of £2.33 (31 December 2011: £2.28). The market value of the shares at 30 June 2012 was £2,907,000. The nominal value of each share is 0.2p.

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Unaudited six months ended 30 June 2011

	Share capital	Share premium account	Share-based payment reserve	Investment in treasury shares	Retained earnings	Total equity	Non-controlling interests	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**

At 1 January 2011	**208**	**5,629**	**1,014**	**(3,139)**	**64,363**	**68,075**	**35**	**68,110**
Profit for the period	–	–	–	–	4,794	4,794	(12)	4,782
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	**208**	**5,629**	**1,014**	**(3,139)**	**69,157**	**72,869**	**23**	**72,892**
Investment in treasury shares	–	–	–	(1,751)	–	(1,751)	–	(1,751)
Reissuance of treasury shares	–	–	(887)	1,781	–	894	–	894
Share-based payments	–	–	340	–	–	340	–	340
Dividend paid	–	–	–	–	(6,065)	(6,065)	–	(6,065)
At 30 June 2011	**208**	**5,629**	**467**	**(3,109)**	**63,092**	**66,287**	**23**	**66,310**

Interim Group Statement of Changes in Equity

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<u>Year ended 31 December 2011</u>

	Share capital	Share premium account	Share-based payment reserve	Investment in treasury shares	Retained earnings	Total equity	Non-controlling interests	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2011	**208**	**5,629**	**1,014**	**(3,139)**	**64,363**	**68,075**	**35**	**68,110**
Profit for the year	–	–	–	–	13,217	13,217	18	13,235
Other comprehensive income								
Total comprehensive income	**208**	**5,629**	**1,014**	**(3,139)**	**77,580**	**81,292**	**53**	**81,345**
Purchase of treasury shares	–	–	–	(1,762)	–	(1,762)	–	(1,762)
Reissuance of treasury shares	–	–	(889)	2,154	(307)	958	–	958
Share-based payments	–	–	787	–	–	787	–	787
Dividend paid	–	–	–	–	(8,945)	(8,945)	–	(8,945)
At 31 December 2011	**208**	**5,629**	**912**	**(2,747)**	**68,328**	**72,330**	**53**	**72,383**

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Notes to the Interim Condensed Group Financial Statements

The interim condensed group financial statements for the period ended 30 June 2012 was approved by the board of directors on 31 July 2012. The interim financial statements are not the statutory accounts. The financial information for the year ended 31 December 2011 is extracted from the statutory accounts for the year ended 31 December 2011, which have been filed with the Registrar of Companies, was unqualified and did not contain an emphasis of matter paragraph, and did not make a statement under section 498 (2) or (3) of the Companies Act 2006.

1 Basis of preparation

The interim condensed group financial statements for the period ended 30 June 2012 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and *IAS 34 Interim Financial Reporting (as adopted by the EU).* The interim condensed group financial statements have been prepared on a going concern basis.

The interim condensed group financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed group financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

Judgements and estimates

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

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next six months are largely the same as those as at 31 December 2011. These assumptions are discussed in detail on page 65 and in notes 14 and 22 of the Group's annual financial statements for the year ended 31 December 2011. The assumptions discussed are as follows:

- Impairment of intangible assets
- Professional indemnity claims (also see notes 5 and 10)

New standards and interpretations

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

- Amendments to IFRS 7 Disclosures - Transfers of financial assets
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

1. Basis of preparation (continued)

Significant accounting policies (continued)

Going concern

The Group has in place borrowing facilities to March 2014 to a maximum of £75m. These facilities are subject to financial performance covenants. The Board has prepared a working capital forecast based upon assumptions as to trading and has concluded that the Group has adequate working capital, will meet the financial performance covenants and that therefore it is appropriate to use the going concern basis of preparation for this financial information.

2. Seasonality of operations

Due to the seasonal nature of the property market turnover is normally higher in the second half of the year.

3. Segment analysis of revenue and operating profit

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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 provides services related to the sale and letting of housing. It operates a network of high street branches. In addition, it provides repossession asset management services to a range of lenders. It also sells mortgages for a number of lenders and sells life assurance and critical illness policies, etc for a number of insurance companies via the estate agency branch and Linear network. It also operates as a mortgage and insurance distribution company providing products and services to financial intermediaries. The results of the financial services segment, which does not meet the quantitative criteria for separate reporting under IFRS have been aggregated with those of estate agency and related services.
- The surveying and valuation segment provides a professional survey service of domestic properties to various lending corporations and individual customers.

Each segment has various products and services and the revenue from these products and services are disclosed on pages 14 and 15 under Business Review the Group's annual financial statements for the year ended 31 December 2011.

Operating segments

The following table present revenue and profit information regarding the group's operating segments for the six months ended 30 June 2012 and 2011.

Six Months ended 30 June 2012	Estate agency and related activities	Surveying and valuation services	Unallocated	Total
	£'000	£'000	£'000	£'000
Income statement information				
Segmental revenue	86,348	34,438	–	120,786
Segmental result:				
• before exceptional costs, amortisation and share-based payments	6,543	9,698	(1,730)	14,511
• after exceptional costs, amortisation and share based payments	5,564	(10,065)	(1,867)	(6,368)
Finance income				3
Finance costs				(1,658)

Fair value movement of interest rate swap	146
Loss before tax	(7,877)
Taxation	1,703
Loss for the period	**(6,174)**

In the period ended 30 June 2012, there is no revenue from one customer that accounts for 10% or more of the Group's total revenue (2011 – none).

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

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Six Months ended 30 June 2012

Balance sheet information	Estate agency and related activities £'000	Surveying and valuation services £'000	Unallocated £'000	Total £'000
	-			
Segment assets – intangible	127,054	9,767	–	**136,821**

Segment assets – other	40,355	9,237	6,373	**55,965**
Total Segment assets	167,409	19,004	6,373	**192,786**
Total Segment liabilities	(50,478)	(37,252)	(44,350)	**(132,080)**
Net assets/(liabilities)	**116,931**	**(18,248)**	**(37,977)**	**60,706**

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Unallocated net liabilities comprise certain property, plant and equipment (£51,000), financial assets (£1,244,000), investments in joint ventures (£1,382,000), trade and other receivables (£18,000), current tax asset (£3,341,000), cash and bank balances (£337,000), other taxes and liabilities (£393,000), other creditors (£43,000), accruals (£1,510,000) financial liabilities (£35,825,000), deferred tax liabilities (£5,460,000), interest rate swap (£1,119,000).

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Six months ended 30 June 2011

-	Estate agency and related activities	Surveying and valuation services	Unallocated	Total
	£'000	£'000	£'000	£'000
Income statement information				
Segmental revenue	65,011	38,354	–	103,365

Segmental result:				
• before exceptional costs, amortisation and share-based payments	583	12,789	(1,528)	11,844
• after exceptional costs, amortisation and share based payments	(743)	9,624	(1,575)	7,307
Finance income				6
Finance costs				(821)
Profit before tax				6,492
Taxation				(1,710)
Profit for the period				4,782

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Balance sheet information	Estate agency and related activities £'000	Surveying and valuation services £'000	Unallocated £'000	Total £'000

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Segment assets – intangible	72,651	15,944	–	**88,595**
Segment assets – other	32,249	12,706	1,504	**46,459**
Total Segment assets	104,900	28,650	1,504	**135,054**
Total Segment liabilities	(34,229)	(23,939)	(10,576)	**(68,744)**
Net assets/(liabilities)	**70,671**	**4,711**	**(9,072)**	**66,310**

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Unallocated net liabilities comprise certain property, plant and equipment (£88,000), financial assets (£347,000), investments in joint ventures (£700,000), trade and other receivables (£100,000), cash and bank balances (£269,000), other taxes and liabilities (£310,000), other creditors (£282,000), accruals (£930,000) financial liabilities (£3,933,000), current and deferred tax liabilities (£4,038,000), interest rate swap (£1,083,000).

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

Year ended 31 December 2011

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	Estate agency and related activities	Surveying and valuation Services	Unallocated	Total
	£'000	£'000	£'000	£'000

Income statement information

Segmental revenue	141,811	76,570	-	218,381
Segmental result:				
- before exceptional costs, amortisation and share-based payments	10,280	23,722	(2,885)	31,117
- after exceptional costs, amortisation and share-based payments	6,049	16,753	(3,158)	19,644
Dividend income				
Finance income				4
Finance costs				(1,874)
Exceptional finance costs				(182)
Profit before tax				17,592
Taxation				(4,357)
Profit for the year				13,235

Balance sheet information	Estate agency and related activities £'000	Surveying and valuation services £'000	Unallocated £'000	Total £'000
	-			
Segment assets – intangible	125,327	12,167	-	**137,494**
Segment assets – other	36,212	9,891	2,619	**48,722**
Total Segment assets	161,539	22,058	2,619	**186,216**
Total Segment liabilities	(45,556)	(21,632)	(46,645)	**(113,833)**
Net assets/(liabilities)	**115,983**	**426**	**(44,026)**	**72,383**

Unallocated net liabilities comprise certain property, plant and equipment (£69,000), financial assets (£347,000), investments in joint ventures (£1,768,000), cash and bank balances (£435,000), other taxes and liabilities (£393,000), other creditors (£93,000), accruals (£1,832,000) financial liabilities (£34,918,000), deferred and current tax liabilities (£8,144,000), interest rate swap (£1,265,000).

4. (Loss)/earnings per share

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

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

Six months ended 30 June

			2012			2011
	Loss 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	(6,183)	102,912,662	(6.0)	4,794	102,847,841	4.7
Effect of dilutive share options	–	–	–	–	66,451	–
Diluted EPS	(6,183)	102,912,662	(6.0)	4,794	102,914,292	4.7

4. Earnings per share (continued)

Year ended 31 December 2011			2011
	Profit After tax £'000	Weighted average number of shares	Per Share Amount Pence

Basic EPS	13,217	102,889,561	12.9
Effect of dilutive share options	–	1,829	–
Diluted EPS	13,217	102,891,390	12.9

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

	Six months ended		Year Ended
	30 June 2012 £'000	**30 June 2011 £'000**	31 December 2011 £'000
Group operating profit before exceptional costs, share-based payments and amortisation (excluding amount attributable to non-controlling interests)	14,502	11,856	31,099
Net finance costs (excluding unwinding of discount on contingent consideration and provisions of £305,000)	(1,350)	(815)	(1,766)
Normalised taxation	(3,222)	(3,089)	(7,773)
Adjusted profit after tax[1] before exceptional costs, share-based payments and amortisation	9,930	7,952	21,560

Adjusted basic and diluted EPS

Six months ended 30 June

-			2012			2011
	Adjusted Profit after tax[1] **£'000**	**Weighted average number of shares**	**Per share amount** ***Pence***	Adjusted Profit after tax £'000	Weighted average number of shares	Per share amount *Restated* *Pence*
Adjusted Basic EPS	9,930	102,912,662	9.6	7,952	102,847,841	7.7
Effect of dilutive share options	–	–	–	–	66,451	–
Adjusted Diluted EPS	9,930	102,912,662	9.6	7,952	102,914,292	7.7

Year ended 31 December 2011

-			2011
	Adjusted Profit after tax £'000	Weighted average number of shares	Per share amount *Restated* *Pence*

Adjusted Basic EPS	21,560	102,889,561	21.0
Effect of dilutive share options	–	1,829	–
Adjusted Diluted EPS	21,560	102,891,390	21.0

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(1) This represents adjusted profit after tax attributable to equity holders of the parent. Tax has been adjusted to exclude the prior year tax adjustments, and the tax impact of exceptional items, amortisation and share-based payments. The effective tax rate used is 24.5% (30 June 2011- 28%; 31 December 2011 – 26.5%).

5. Exceptional (profit) /costs

	Six Months Ended		Year Ended
	30 June	**30 June**	31 December
	2012	**2011**	2011
	£'000	**£'000**	£'000
Employee costs			
Redundancy costs due to branch closures and business reorganisation	188	180	266
Other			
Acquisition related costs		65	1,629

Gain on disposal of freehold properties	(782)	–	–
Onerous leases	92	–	–
Contingent consideration in acquisitions linked to employment	539	–	166
Provision for professional indemnity claims/notifications (see note below)	17,273	–	–
Impairment of Brand	–	–	153
Total operating exceptional costs	17,310	245	2,214
Finance costs			
Fair value movement of Interest rate swap	(146)	–	182
	(146)	–	182
	17,164	245	2,396

Provision for professional indemnity claims/notifications

During 2012 the Group has seen a deterioration in claims experience 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.

The increase in the PI provision is partly driven by lenders, most of whom are no longer active in the market, pursuing notifications and claims previously considered dormant. It has also been necessary to make additional provisions for existing claims which are being aggressively pursued by lenders who often use solicitors engaged on a no win, no fee basis. This trend has increased recently in advance of April 2013 when it is expected that the legislation governing civil litigation will change. Both these factors have had a significant impact on the 'Incurred But Not Reported' (IBNR) provision required for notifications and claims estimated to be received in the future for the 2004 to 2008 period. The primary statutory limitation for this period ends during 2014. It should be noted this is the Board's best estimate of future claims and the conclusions on the appropriate level of

IBNR provision are sensitive to small changes in assumptions and are therefore highly subjective. The additional charge relating to the 2004 to 2008 risk years has been included as an exceptional item.

Further, we have however 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 and the charge has been considered as an operating expense rather than as an exceptional cost.

1. Dividends paid and proposed

	Six Months Ended		Year Ended
	30 June	**30 June**	31 December
	2012	**2011**	2011
	£'000	**£'000**	£'000
Declared and paid during the period:			
Equity dividends on ordinary shares:			
Final dividend for full year 2011:5.9 pence	6,071	6,065	8,945
Dividends on ordinary shares proposed (not recognised as a liability as at 30 June):			
Interim dividend for 2012: 3.1 pence per share (2011 – 2.8 pence)	3,090	2,879	6,070

1. Taxation

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

	Six Months Ended		Year Ended
	30 June	30 June	31 December
	2012	2011	2011
	£’000	£’000	£’000
UK corporation tax			
- current year	(1,705)	1,767	5,383
- tax underprovided/(overprovided) in prior year	(686)	(9)	160
	(2,391)	1,758	5,543
Deferred tax:			
Origination and reversal of temporary differences	524	(210)	(764)
Impact of rate change on deferred tax	–	–	–
Adjustment in respect of prior year	164	162	(422)
Total deferred tax	688	(48)	(1,186)
Total tax charge/(credit) in the income statement	(1,703)	1,710	4,357

The Group's current taxation credit comprises corporation tax calculated at estimated effective tax rates for the year.

In March 2012 the UK Government announced proposals to reduce the main rate of corporation tax to 22% over 3 years with effect from 1 April 2012. As of 30 June 2012 the initial reduction to 24% has been enacted. If the subsequent reductions in the tax rate had been substantively enacted, the deferred tax liability at 30 June 2012 would have reduced by £455,000. .

1. Analysis of net bank debt

	Six Months Ended		Year Ended
	30 June	30 June	31 December
	2012	2011	2011
	£'000	£'000	£'000
Interest bearing loans and borrowings	49,499	6,494	49,028
Less: 2% unsecured loan notes	(1,496)	–	(1,496)
Less: 12% unsecured loan notes	(8,660)	–	(8,660)
Less: Contingent and deferred consideration	(2,219)	(1,813)	(1,939)
Less: cash and short-term deposits	(337)	(269)	(435)
Net bank debt at the end of the period/year	36,787	4,412	36,498

In the Annual Report for the year ended 31 December 2011, contingent and deferred consideration were not deducted in calculating the net debt. However, it has been excluded in the above calculation, for the current and prior periods, as it is not relevant to calculate the Group's banking covenant. In summary, none of the items excluded in calculating the net bank debt are relevant in calculating the Group's banking covenants.

1. Assets held for sale

The assets held for sale are freehold properties which are currently being actively marketed. There was no gain or loss recognised upon classification of these assets as held for sale. These assets are part of the Estate Agency and related activities segment.

1. Provisions for liabilities

	2012			2011		
	Professional indemnity claim provision	**Onerous leases**	**Total**	Professional indemnity claim provision	Onerous leases	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Balance at 1 January	**9,641**	**417**	**10,058**	10,901	992	11,893

Amount utilised	**(3,775)**	**(37)**	**(3,812)**	(1,202)	(239)	(1,441)
Unwinding of discount	**122**	**-**	**122**	122	-	122
Provided in the period (including exceptional costs)	**18,071**	**92**	**18,163**	715	-	715
Balance at 30 June	**24,059**	**472**	**24,531**	10,536	753	11,289
Current	**5,645**	**194**	**5,839**	240	200	440
Non-current	**18,414**	**278**	**18,692**	10,296	553	10,849
	24,059	**472**	**24,531**	10,536	753	11,289

Year ended 31 December 2011

	Professional indemnity claim provision	Onerous leases	Total
	£'000	£'000	£'000
Balance at 1 January	10,901	992	11,893
Amount utilised	(4,031)	(243)	(4,274)

Amount released	-	(334)	(334)
Unwinding of discount	266	-	266
Provided in the period (including exceptional costs)	2,505	2	2,507
Balance at 31 December	9,641	417	10,058
Current	512	194	706
Non-current	9,129	223	9,352
	9,641	417	10,058

The PI claim provision relates to ongoing and expected future legal claims relating to valuation services and is the Directors' best estimate of the likely outcome of such claims, taking account of the incidence of 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 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. Also see explanation in note 5.

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.

1. Acquisitions during the period

In January 2012 the Group acquired 51% of Davis Tate, a 11 branch estate agency chain operating in 14 locations within the Thames valley for a cash consideration £1.6m. Further, in July 2012, the Group also acquired 85% of Lauristons, a 5 branch estate agency chain in South West London for a cash consideration of £1.8m. The Group has options to acquire the remaining stake in both these companies. The provisional goodwill arising on the acquisition of Davis Tate is £2.0m. The remaining 49% is subject to put and call options which are exercisable in two tranches in 2013 and 2016 dependant on profit performance and in part continued employment of the vendors.

INDEPENDENT REVIEW REPORT LSL PROPERTY SERVICES PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the Interim Group Income Statement, the Interim Group Statement of Comprehensive Income, the Interim Group Balance Sheet, the Interim Group Statement of Cash Flows, the Interim Group Statement of Changes in Equity and the related notes 1 to 11. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

Leeds

31 July 2012